

COOPERATIVE
MARKETING OF
AGRICULTURAL
PRODUCTS .

By .

Ward. W. Fetrow.

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COOPERATIVE MARKETING,
of
AGRICULTURAL:
PRODUCTS

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By



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In collaboration with the
Staff of the Research, Service, and
Educational Section of the Cooperative Division



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Cooperative Marketing of Agricultural Products

AGRICULTURAL production in the United States involves some 6,800,000 individual farm units. Most of these farms produce one or more commodities which enter into the channels of trade. It is the function of the marketing system to perform the services necessary to make these products available to consumers. The complex nature of many of these services, together with the expense of special equipment involved, and other difficulties, make it impractical for most individual producers to attempt them alone. It is necessary for farmers either to depend upon established private marketing agencies or to create their own organizations for handling and marketing their products. For a number of years producers of many agricultural commodities have seen the advantages of collective action in marketing and, as a result, have set up their own cooperative marketing associations.

Cooperative handling of farm products in the United States had its beginning about a century ago. American farmers in many sections of the country had formed agricultural societies of various kinds previous to their attempts to organize for marketing purposes. These early societies, devoted to the improvement of agricultural and rural affairs, no doubt did much to direct the attention of farmers to the possibilities of cooperation in marketing.

So far as available records show, dairy farmers were the first to attempt collective action in marketing. A cooperative cheese factory was established as early as 1810 and this was followed by other similar establishments. Long before they attempted to sell cooperatively, livestock producers had joined in driving their stock to market. Toward the middle of the century cooperative grain elevators began to appear, and from about 1870 on, the development of cooperative marketing associations became widespread. It is possible to give

Acknowledgment is made of the assistance of the research, service and educational staff, especially that of the following persons who supplied material for the sections on the several commodities: K. B. Gardner, M. C. Gay, Roy M. Green, O. W. Herrmann, James W. Jones, C. G. Randell, and T. G. Stitts, principal agricultural economists; H. C. Hensley and John J. Scanlan, senior agricultural economists; James M. Coon and R. H. Elsworth, agricultural economists; and W. C. Welden, associate agricultural economist.

here only a brief discussion of the progress of the movement since that time.¹

The number of associations organized is an indication of cooperative activity during any particular period. The Cooperative Division of the Farm Credit Administration has record of the organization dates of 16,178 cooperative marketing associations formed prior to 1932. About 50 percent of these are still in operation. Of the associations for which the date of organization is known, about 6 percent were organized prior to 1900; 20 percent prior to 1910; 62 percent prior to 1920; and 89 percent prior to 1925. The 10-year period of greatest organization activity was 1914 to 1923, during which more than 50 percent of all recorded marketing associations were formed. The peak for a single year was reached in 1920, when 1,779 new associations were set up.

The period during which the height of organization activity was reached differs somewhat for the several commodity groups. The most active period for organization of associations to market dairy products and grain was during the 10 years 1912 to 1921, inclusive. Forty percent of all associations for handling dairy products and 63 percent of all grain marketing associations were organized during that period. About 81 percent of all livestock-marketing associations were formed during the period 1915 to 1924. Many of these were local shipping associations. Fifty-five percent of all fruit and vegetable marketing associations were organized during the period 1918 to 1927. Of associations for marketing poultry and eggs, 83 percent were organized from 1920 to 1929.

The prevailing type of cooperative marketing association organized up to about 1920 was the local or community enterprise. Previous to this time large numbers of farmers' grain elevators, cooperative creameries, cooperative cheese factories, livestock-shipping associations, and associations for packing and shipping fruits and vegetables were organized.

Early in the development of local associations it was found that certain services could be performed for members more advantageously if local units were joined in an overhead organization known as a federation. The trend in this direction has been continuous since about 1890. There were in 1935 nearly 50 active federations of local marketing associations. In a federated association, growers are members of local associations. The local associations are, in turn, members of the federation. The locals own and control their physical facilities and perform such functions as grading and packing, while the federation performs such services as selling the products, collection of sales proceeds, promulgation of and supervision of regulations

¹ For more detailed information see: Eisworth, E. H. *Statistics of Farmers' Selling and Buying Associations, United States, 1863-1931.* (U. S.) Fed. Farm Board Bull. 9, 91 pp., illus. 1922.

relating to grades and preparation of members' products for market, joint purchasing of supplies, and the handling of transportation claims. Among actual organizations, however, many variations will be found, so that it is sometimes difficult to classify an association as strictly federated or otherwise.

More than 40 years ago farmers began to set up cooperative sales agencies for selling their products in terminal markets. These agencies receive the products direct from farmers or from their associations, sell to the best advantage, and return the proceeds, less expenses, to the shippers. There were in 1935 about 50 cooperative terminal-market sales agencies.

Beginning about 1920, and for several years thereafter, the most significant development in cooperative marketing was the formation of large-scale, centralized, cooperative marketing associations. In this type of organization, services and administrative functions, including ownership and control of property, are performed by the central association. These associations differ from locals mainly in that they operate over wide areas and in that the services performed are usually more extensive than those which can be rendered by a local association. Farmers hold direct membership in the central organization, although they may live many miles from the headquarters office. Some of these organizations cover an entire State; others, parts of several States. There are now operating more than 100 large centralized cooperative associations, with a total membership of about 450,000 agricultural producers (1935).

An important recent development in the form of cooperative marketing organizations began in 1929 with the setting up of national sales agencies. The members of these agencies are usually State or regional associations, but they may also be large-scale organizations of other types, or they may be locals. The objectives are to bring together a large volume of a commodity under the control of one management in order to improve sales efficiency, avoid duplication of facilities, and eliminate competition among cooperatives. National sales agencies are now marketing for farmers such products as cotton, grain, livestock, fruits and vegetables, wool, and pecans. All of these are incorporated as cooperative associations and operate for the mutual benefit of their members.

The Cooperative Division attempts to keep in contact with all active cooperative marketing associations in the United States. In 1935 the Division had record of 8,794 of these associations,² about 70 percent of which were located in the North Central States (table 1). Minnesota, Wisconsin, and Iowa led in number of associations. These three States have together about one-third of all the cooperatives in the United States. The total value of products sold by

² The Cooperative Division also had record of 1,906 cooperative associations purchasing farm supplies in 1935.

TABLE 1.—COOPERATIVE MARKETING ASSOCIATIONS, ESTIMATED MEMBERSHIP AND BUSINESS BY GEOGRAPHIC DIVISIONS, LEADING STATES, AND COMMODITY GROUPS, 1934-35 MARKETING SEASON¹

Division, State, or group	Associations listed 1935 ²		Membership in 1935 ³		Estimated business, 1934-35 marketing season	
	Number	Percent	Number	Percent	1,000 dollars	Percent
Geographic division:						
West North Central.....	3,911	44.5	882,570	35.5	369,650	27.8
East North Central.....	2,381	27.1	675,440	27.1	316,670	23.6
Pacific.....	697	7.9	145,980	5.9	230,700	17.2
Middle Atlantic.....	219	2.5	147,800	5.9	129,490	9.6
West South Central.....	554	6.3	173,800	7.0	83,710	6.2
Mountain.....	406	4.6	112,980	4.5	62,460	4.7
South Atlantic.....	317	3.6	107,750	4.3	57,940	4.3
East South Central.....	211	2.4	200,730	8.1	53,810	4.0
New England.....	98	1.1	42,950	1.7	38,570	2.9
Total.....	8,794	100.0	2,490,000	100.0	1,343,000	100.0
State:						
California.....	412	4.7	70,680	2.9	167,410	12.5
Illinois.....	675	7.7	199,630	8.0	130,600	9.7
Minnesota.....	1,220	13.9	252,100	10.1	108,650	8.1
Iowa.....	869	9.9	203,480	8.2	100,030	7.4
New York.....	110	1.3	84,200	3.4	91,120	6.8
Wisconsin.....	961	10.9	135,500	5.4	61,940	4.6
Ohio.....	280	3.2	135,600	5.5	56,430	4.2
Missouri.....	351	4.0	131,150	5.3	49,430	3.7
Nebraska.....	397	4.5	99,270	4.0	40,000	3.0
Michigan.....	275	3.1	109,610	4.4	37,700	2.8
Kansas.....	341	3.9	61,840	2.5	33,150	2.4
North Dakota.....	454	5.1	65,330	2.6	22,690	1.7
All others.....	2,449	27.8	941,610	37.7	443,850	33.1
Total.....	8,794	100.0	2,490,000	100.0	1,343,000	100.0
Commodity group:						
Dairy products.....	2,300	26.2	750,000	30.1	440,000	32.8
Grain ⁴	3,125	35.5	580,000	23.3	315,000	23.5
Fruits and vegetables.....	1,082	12.3	158,000	6.3	200,000	14.9
Livestock.....	1,197	13.6	410,000	16.5	175,000	13.0
Cotton and products.....	305	3.5	255,000	10.2	100,000	7.4
Poultry and products.....	164	1.9	85,000	3.4	53,000	3.9
Wool and mohair.....	119	1.3	71,000	2.9	15,700	1.2
Nuts.....	53	.6	14,800	.6	11,530	.8
Tobacco.....	16	.2	50,000	2.0	7,500	.6
Forage crops.....	29	.3	6,900	.3	1,830	.1
Miscellaneous selling.....	404	4.6	109,300	4.4	23,670	1.8
Total.....	8,794	100.0	2,490,000	100.0	1,343,000	100.0

¹ Marketing associations are those whose principal activities are selling farm products. Many such associations also purchase farm supplies and this purchasing business is included as part of the total business.

² Including independent local associations, federations, large-scale centralized associations, sales agencies, and independent service-rendering associations, but not including subsidiaries, nor associations only renting unsold property.

³ Includes members, contract members, shareholders, shippers, consignors, and patrons.

⁴ Including dry beans and rice.

farmers' cooperative marketing associations for the 1934-35 season is estimated at \$1,343,000,000.

These cooperative marketing associations had in 1935 an estimated membership of 2,490,000. More than three-fifths of these members were in the North Central States. Minnesota leads in number of members, followed in order by Iowa, Illinois, Ohio, and Wisconsin. Among the commodity groups, 30 percent of the total estimated membership in all States was in associations handling dairy products, 23 percent in organizations handling grain, 16 percent in livestock marketing cooperatives, and 10 percent in associations marketing cotton and cotton products.

This bulletin deals with the development and present status of cooperative associations for marketing farm products in the United States.³ Because of the wide extent of the field of cooperative marketing, it is necessary that discussion of each phase of these activities be limited. No attempt is made to cover every commodity which may be marketed cooperatively nor to describe the activities of farmers' organizations other than marketing.

³ Cooperative purchasing of farm supplies, another phase of agricultural cooperation, is discussed in the following bulletin recently published by the Cooperative Division: Knapp, J. G., and Lister, J. H. Cooperative Purchasing of Farm Supplies. F. C. A. Coop. Div. Bul. 1, 92 pp., illus. 1936.

COOPERATIVE MARKETING OF COTTON

FARMERS' cooperative associations for the marketing and ginning of cotton and the processing of cottonseed have developed along three distinct lines. In the order of their relative importance these are: (1) Associations engaged in the marketing of cotton; (2) those engaged in the ginning of cotton and in the handling of cotton and cottonseed; and (3) those engaged in the operation of cottonseed oil mills. Associations operating along these three lines are now independent of each other, although there is some duplication in membership.

Cooperative cotton marketing began over 60 years ago, whereas cooperative cotton ginning has been developed by local groups of farmers largely since 1920. Although one cooperative cottonseed oil mill has been operating since 1922, this is, for the most part, a comparatively new cooperative enterprise in which cotton farmers are showing much interest.

EARLY COTTON ASSOCIATIONS

Efforts of cotton growers to develop a better system of marketing for their cotton through cooperation date back to the early years of reconstruction following the War between the States. Since that time many cotton associations have been organized. Some were established on a South-wide basis, strongly supported by a large following of farmers. Others were local in character and limited in scope. The objectives of many of the early cotton associations were directed primarily toward raising the general price level of cotton, but the programs included also many cooperative marketing features.

The first organized effort by southern farmers to develop collective selling came soon after the organization, in 1867, of the National Grange of the Patrons of Husbandry, known as the Grange. Although organized primarily for fraternal and social purposes, the State Granges of Alabama, Georgia, Mississippi, Louisiana, Arkansas, and Texas developed an ambitious marketing program. Cooperative organizations were established and arrangements were made with established cotton firms to handle members' cotton. The period of operation for most of these associations was brief. Members of the Texas Grange, however, started in 1878 an organization known as the Texas Cooperative Association, which operated rather extensively for several years.

Between 1875 and 1905 there were numerous collective efforts on the part of southern cotton farmers to improve their economic conditions. Among the organizations which interested themselves

especially in these economic problems were the Farmers Alliance, organized in 1875; the Southern Cotton Growers Protective Association, organized in 1900; and the Southern Cotton Association which succeeded the Southern Cotton Growers Protective Association in 1905.

The Farmers Educational and Cooperative Union—the Farmers Union—organized in Texas in 1902, adopted a program similar to that of the Grange, but broader. This program included cotton-price control to be accomplished by reducing acreage, destroying a portion of the growing crop, and holding cotton off the market. An attempt was made to reduce the large proportion of the cotton crop which normally goes to market in the fall. Holding cotton necessitated the establishment of warehouses and arrangements for financing the cotton. The Farmers Union also advocated payment to farmers for cotton on the basis of quality and encouraged the formation of associations for the cooperative ginning and marketing of cotton.

In 1917 certain State educational institutions and commodity groups, working jointly with the United States Department of Agriculture, established 85 local community cotton organizations which probably had a material influence on the later development of cooperative cotton marketing. Cotton classers were employed jointly by the cooperating agencies for the purpose of determining for the farmer the grade and staple of his cotton. This program served to direct the attention of farmers to the defects in the cotton-marketing system of that time and led to the formation of many local associations for marketing cotton.

The American Cotton Association, made up largely of the leadership of the old Southern Cotton Association, was organized in 1919. Its aims were directed toward the improvement of the general economic condition of the cotton farmer and the correction of the major defects in the cotton marketing system. At a convention in Montgomery, Ala., in April 1920, plans were laid for the organization of many of the present large-scale State and regional cooperative cotton marketing associations.

One of the principal objectives of the large-scale associations, as stressed at the Montgomery convention, was to gain control of a large percentage of the crop and thereby dictate the price. Orderly marketing was also proposed as one of the principal features of the early operations. As time went on these ideas were largely abandoned as unsound or impractical and were replaced by the present plan. Cooperative cotton-marketing associations now confine their activities primarily to the marketing of cotton for their members. Any savings in marketing costs, which they may be able to effect through the sale of cotton direct to mills and by other economies in the merchandising of cotton, are returned to the grower in the form of a patronage dividend according to the number of bales delivered by

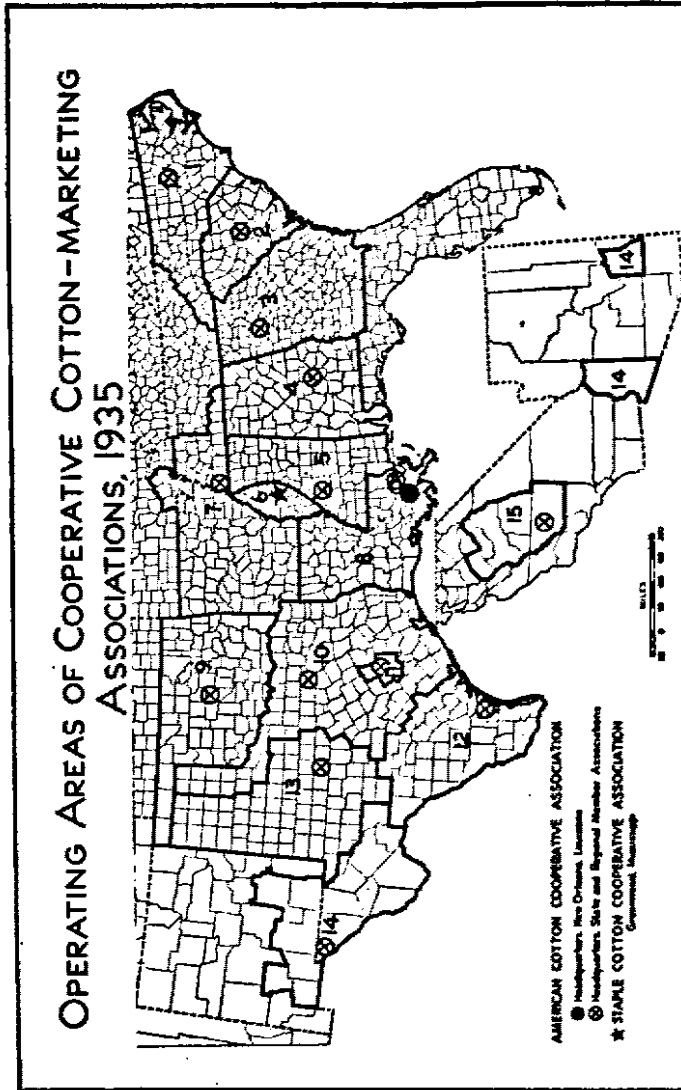


FIGURE 1.—The numbers indicate the operating areas of the following associations: (1) North Carolina Cotton Growers Cooperative Association, Raleigh, N. C.; (2) South Carolina Cotton Growers Cooperative Association, Columbia, S. C.; (3) Georgia Cotton Cooperative Association, Atlanta, Ga.; (4) Alabama Cotton Cooperative Association, Montgomery, Ala.; (5) Mississippi Cotton Cooperative Association, Jackson, Miss.; (6) Staple Cotton Cooperative Association, Greenwood, Miss.; (7) Mid-South Cotton Growers Association, Memphis, Tenn.; (8) Louisiana Cotton Cooperative Association, New Orleans, La.; (9) Oklahoma Cotton Growers Association, Oklahoma City, Okla.; (10) Texas Cotton Growers Association, Dallas, Tex.; (11) Brazos Valley Cotton Cooperative Association, Bryan, Tex.; (12) South Texas Cotton Cooperative Association, Corpus Christi, Tex.; (13) West Texas Cotton Growers Association, Abilene, Tex.; (14) Southwestern Irrigated Cotton Growers Association, El Paso, Tex.; (15) California Cotton Cooperative Association, Bakersfield, Calif.

him. Furthermore, marketing associations have always emphasized payment for cotton on the basis of quality and have taken an active part in attempts at general improvement in cotton-marketing conditions and facilities.

DEVELOPMENT OF STATE AND REGIONAL ORGANIZATIONS

Fifteen large-scale cooperative cotton-marketing associations were organized during the 4 years from 1921 to 1924.⁴ One of these associations was formed in each of the States of Oklahoma, Arizona, Texas, North Carolina, South Carolina, Georgia, Alabama, Louisiana, Tennessee, Missouri, and Illinois. Two were set up in Mississippi

⁴ For a list of these associations, together with dates of incorporation, see: Gatlin, G. O. *Cooperative Marketing of Cotton*. U. S. Dept. Agr. Bull. 1362, 49 pp., illus. 1926.

and two in Arkansas. The Southwestern Irrigated Cotton Growers Association, which operates in the irrigated sections of Texas, Arizona, and New Mexico, was organized in 1926. The California Cotton Cooperative Association began operations in 1927. The Arkansas, Tennessee, and Missouri associations were combined in 1930 to form the Mid-South Cotton Growers Association. There are now 5 associations operating in Texas, 4 of which were organized or reorganized since 1932. Of the 17 associations organized up to 1927, some have ceased operations and others have been reorganized.

Names, addresses, and dates of incorporation of the large-scale State and regional cotton associations now operating are shown in table 2. The territory covered by each is indicated in figure 1.

TABLE 2.—STATE AND REGIONAL COOPERATIVE COTTON-MARKETING ASSOCIATIONS OPERATING ON JAN. 1, 1936

Association	Headquarters	Year of incorporation
Oklahoma Cotton Growers Association.....	Oklahoma City, Okla.....	1921
Staple Cotton Cooperative Association.....	Greenwood, Miss.....	1921
North Carolina Cotton Growers Cooperative Association.	Raleigh, N. C.....	1922
South Carolina Cotton Growers Cooperative Association.	Columbia, S. C.....	1922
Louisiana Cotton Cooperative Association....	New Orleans, La.....	1923
Southwestern Irrigated Cotton Growers Association.	El Paso, Tex.....	1926
California Cotton Cooperative Association, Ltd.	Bakersfield, Calif.....	1927
Mississippi Cooperative Cotton Association (A. A. L.).	Jackson, Miss.....	1929
Mid-South Cotton Growers Association.....	Memphis, Tenn.....	1930
South Texas Cotton Cooperative Association.	Corpus Christi, Tex....	1932
Brazos Valley Cotton Cooperative Association.	Bryan, Tex.....	1932
West Texas Cotton Growers Association.....	Abilene, Tex.....	1933
Georgia Cotton Cooperative Association.....	Atlanta, Ga.....	1933
Alabama Cotton Cooperative Association....	Montgomery, Ala.....	1934
Texas Cotton Growers Association.....	Dallas, Tex.....	1935

During the 1934-35 season 195,900 farmers delivered cotton to the 15 State and regional cotton associations. In the western portion of the Cotton Belt there are numerous local farmers' cooperative cotton-gin associations, many of which are members of the State and regional cotton associations. This development is being watched with much interest by cotton farmers.

Since the 1927-28 season the large-scale cooperatives have handled not less than 1,000,000 bales of cotton annually. During the 14 crop years, 1921-22 to 1934-35, inclusive, combined deliveries to all large-scale cotton associations amounted to about 18,882,000 bales. Total deliveries by years are shown in table 3. In addition to the figures for large-scale associations, it is estimated that local cooperative cotton-gin associations market about 200,000 bales of cotton annually for their members.

TABLE 3.—COTTON HANDLED BY LARGE-SCALE COOPERATIVE COTTON MARKETING ASSOCIATIONS, 1921-22 TO 1934-35

Marketing season	Associa- tions operat- ing	Cotton handled ¹	Percentage of total ginnings handled coopera- tively ²
	<i>Number</i>	<i>Running bales</i>	<i>Percent</i>
1921-22	8	418, 363	5. 2
1922-23	10	723, 791	7. 4
1923-24	14	903, 582	8. 9
1924-25	15	1, 096, 507	8. 0
1925-26	15	1, 472, 586	9. 1
1926-27	15	1, 208, 663	6. 8
1927-28	16	823, 105	6. 4
1928-29	16	1, 164, 330	8. 1
1929-30	15	1, 435, 175	9. 9
1930-31	12	2, 313, 023	16. 8
1931-32	12	2, 220, 132	13. 4
1932-33	12	1, 095, 073	8. 6
1933-34	15	1, 742, 608	13. 8
1934-35	15	1, 661, 046	17. 5

¹ Not including merchandise cotton purchased by the American Cotton Cooperative Association from 1930-31 to 1934-35.

² Running bales as reported by the U. S. Bureau of the Census.

Plan of Operation

From 1921 to 1929 each of the State and regional cotton-marketing associations operated more or less independently, although the activities of all except one were coordinated to some extent in an overhead organization, known as the American Cotton Growers Exchange.

The general plan under which the original large-scale associations were set up is still being followed. They are all centralized organizations and without exception are set up on a nonstock basis. The policies of each individual organization are determined by a board of directors chosen by the membership. The directors select a

manager, who is directly responsible for carrying out the policies of the board and selecting administrative officers and employees of the association. All proceeds of sales above actual expenses and necessary reserves are returned to members.

The State and regional associations have consistently required all members to sign contracts or marketing agreements in order to be eligible to participate in the activities and benefits of the association. Most of the original contracts or marketing agreements covered a period of from 5 to 7 years and required the member to deliver to the association all cotton produced or acquired by or for him during the period of the contract. The marketing agreements in effect at this time are much more liberal than former ones, especially with respect to deliveries, withdrawal from the organization, and duration of the contract period.

Interior Classing Service

Contact with members of the State and regional cotton associations is now made largely through a system of interior classing offices scattered throughout the Cotton Belt (fig. 2). These offices are manned by experienced and capable cotton men, a large percentage of whom are licensed to class cotton under the United States Cotton Standards Act.⁴ They class and value members' cotton at time of delivery and make settlement therefor or preliminary advances, depending on the sales option chosen by the member. Classing and other association services were offered at 437 points throughout the South during the 1935-36 cotton season (fig. 2). In some instances the associations also maintain local receivers at the smaller delivery points to assist members who do not have ready access to established interior classing offices.

Before the interior classing system was started, contacts with members were made through field men and local receivers.⁵ The shift from this method of assembling cotton and maintaining contact with members to the interior-classing plan now used represents one of the most extensive changes effected in the operating set-up of cotton cooperatives in recent years. The value of interior classing service lies not only in maintaining personal contacts with members

⁴ United States Department of Agriculture. United States Cotton Standards Act. U. S. Dept. Agr. Serv. and Reg. Ann. 125 (effective May 1, 1931). See p. 12.

⁵ The local receiver, under the old operating plan, was stationed at a delivery point to represent the association in its dealings with members at that point and help them deliver their cotton to the association. Classing was done only at association headquarters or concentration warehouses. Local receivers are still used by a number of associations to supplement the services of the interior classer.

INTERIOR CLASSING OFFICES OF STATE OR REGIONAL COTTON COOPERATIVES 1935-36

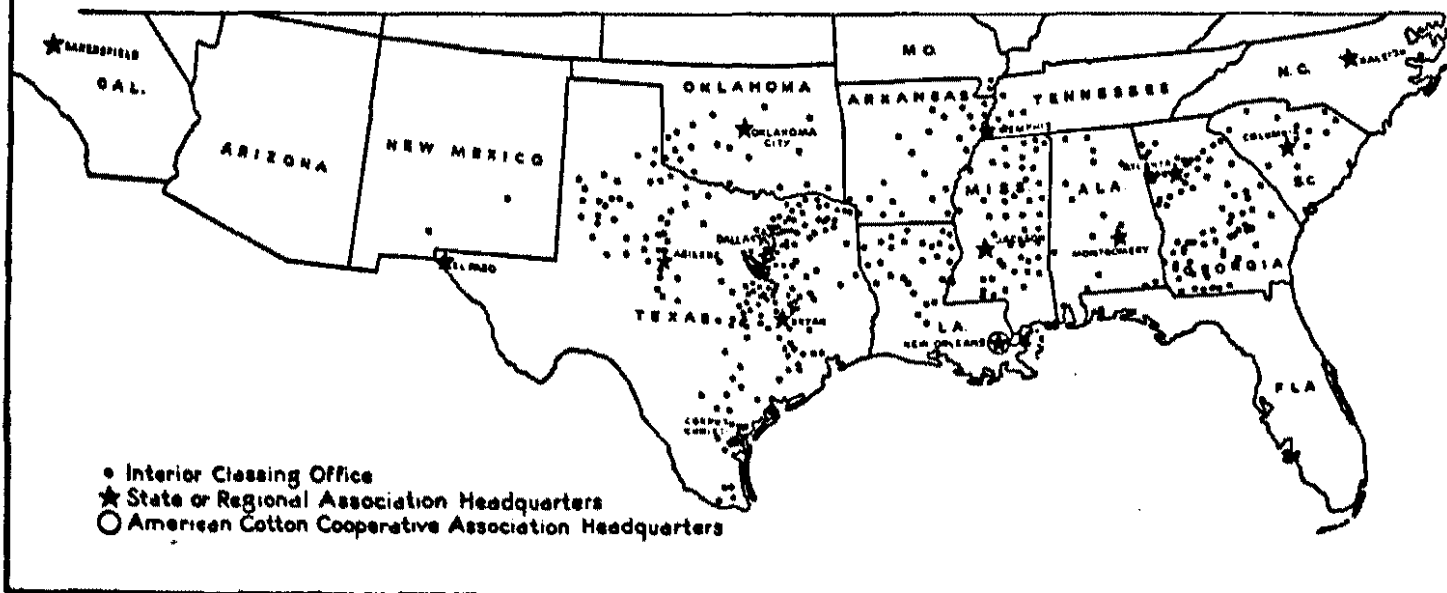


FIGURE 2.—The 14 State and regional cotton cooperatives affiliated with the American Cotton Cooperative Association maintained interior classing offices or offered regular cotton classing and other association services to farmers at 437 points throughout the Cotton Belt during the 1935-36 season.

but also in informing them as to the grade, staple, and value of their cotton, which often leads to a program of cotton quality improvement. The establishment of full-time classing offices makes it possible for the association to offer its services to farmers and members every business day in the year. It is believed that payment for cotton in the local communities in accordance with its grade and staple has done much to cause buyers to abandon the practice of paying a flat price for all qualities of cotton in local markets.

Sales Options or Pools

The only sales option provided in the original marketing agreements, which were in effect from 1921 to 1927, was the seasonal pool. This pool provided that the member should receive for his cotton the average price obtained for all cotton of like quality delivered to the association during the season, less deductions for expenses and reserves. The principal objections on the part of producers to the seasonal pool method of operation were the delay in final settlement and the general dissatisfaction with the results in terms of average price. In years of declining prices returns were usually unsatisfactory under the seasonal pool.

A number of sales options have been tried since the expiration of the original 5-year marketing agreement. The first of these was the optional pool, which provided for a substantial advance at the time of delivery and reserved for the member the right to fix the price on his cotton at a later date. Other options have since been provided, the most important of which are the "immediate fixation" and "call pools"

Under the immediate-fixation pool the member is advanced the approximate market value of his cotton at time of delivery. The amount advanced for cotton in the immediate-fixation pool is determined by taking into consideration the price at which the cotton can be sold by the association; less estimated operating expenses and deductions for reserves. In addition, deductions for transportation to probable destination, as well as the usual deductions for hedging, insurance, and warehouse charges which are normally incurred by any agency merchandising cotton, are considered.

Upon receiving immediate-fixation pool cotton from the member, the association fixes the base price by hedging, that is, by selling future contracts covering an equivalent quantity of cotton, in order to avoid the risk of price decline. The actual cotton is shipped to a warehouse, classed, and assembled with other cotton in even-running lots for sale throughout the season. When the spot cotton is sold the futures are closed out and the transaction is terminated. At the end of the season the member receives any net merchandising income, less deductions for necessary reserves, as a patronage dividend accord-

ing to the number of bales delivered. The sales option known as the immediate-fixation pool which is used by the cotton cooperatives is not a new idea. It is similar to a plan that has been used by farmers' cooperative grain elevators for the last 50 years.

Many members choose to reserve the right to fix the base price on their cotton at their own discretion. For these the "call pool" is provided. Preliminary advances are made on "call pool" cotton at time of delivery. At the same time the price which the member will ultimately receive for his cotton is agreed upon as being so many points "on" or "off" the New York futures market quotation for a specified month, the month to be designated by the member.⁷ Accordingly, the member may refer to the market quotations for this particular month and fix the price of his cotton at any time he sees fit prior to the first notice day of the futures month selected. He may transfer to a more distant futures month, under prescribed conditions, if he desires. Proper margins must be maintained by the member at all times.

AMERICAN COTTON COOPERATIVE ASSOCIATION

The idea of a national sales agency for selling the cotton of affiliated associations was developed soon after the establishment of the various State and regional cotton associations in 1921. It appeared that a world-wide selling organization would be too costly for any single association to operate, and it was obvious that many of the associations would compete with each other to their mutual disadvantage unless sales in both domestic and foreign markets were coordinated. To this end the American Cotton Growers Exchange, the predecessor of the American Cotton Cooperative Association, was organized in 1921. Domestic and foreign sales offices were established but sales through the exchange were optional and most of the State and regional associations continued to maintain their own sales departments and to sell some cotton individually. The exchange operated a statistical service and also gave assistance with traffic and legal problems, field service, public relations, and the development of accounting systems.

Members of the boards of directors of the cotton associations and others interested met in Memphis, Tenn., in December 1929, and made plans for the organization of the American Cotton Cooperative Association. It was incorporated on January 13, 1930, as a capital-stock cooperative, owned and controlled by its affiliated State and regional member associations. Headquarters are maintained at New Orleans, La.

When the American Cotton Cooperative Association was organized, its principal functions were to sell and to finance the cotton

⁷ In effect the "on" or "off" agreed upon at time of delivery is based upon a combination of (1) grade and/or staple premiums and discounts and (2) the "basis" or the spread between the middling $\frac{3}{8}$ -inch spot price and the futures price of cotton as of that particular time.

received from the member associations. Later it was determined that the national organization should also perform other services incident to handling and merchandising cotton. In addition to selling and financing, therefore, the American Cotton Cooperative Association operates the interior classing service jointly with the State and regional associations, assumes full responsibility for the classing of cotton, and controls the transportation, warehousing, insurance, hedging, accounting, billing, and invoicing. In connection with the general operations the national association maintains a statistical department and publishes a house organ known as "The American Cotton Grower." The functions of the State and regional associations are confined largely to execution of general operating policies, membership contact work, bookkeeping incident to accounts with members, publication of a house organ, and joint operation of the interior classing and assembling system, as indicated above.

Although the North Carolina Cotton Growers Cooperative Association is a member of the American Cotton Cooperative Association, it does its own assembling, financing, and selling.

The American Cotton Cooperative Association has sales offices in all the important domestic and foreign cotton-consuming centers. These widely scattered sales connections are necessary for the efficient merchandising of the wide range of grades, staples, and characters of cotton received from member associations located in all sections of the South. By handling the large volume of cotton made possible by coordinated sales, the American Cotton Cooperative Association has been able to employ a competent sales force technically trained for the job. The American Cotton Cooperative Association has consistently followed the policy of making domestic sales direct to mills. The policy of selling receipts of each crop within the current marketing season has now been generally adopted.

Funds to finance the handling and sale of cotton received from member associations are obtained by the American Cotton Cooperative Association in various ways, most important of which are loans from commercial banks and agencies of the Farm Credit Administration, and sales of preferred and common stock to member associations. Under the present operating plan considerably more capital is involved in the cooperative handling of cotton than under previous plans. The major part of the credit needed to finance cooperative cotton associations has been obtained from commercial banks.

It is the policy of the American Cotton Cooperative Association and the affiliated State and regional cotton associations to set aside each year certain portions of their net income as reserves, in order to build up their financial structure.

THE STAPLE COTTON COOPERATIVE ASSOCIATION

The Staple Cotton Cooperative Association of Greenwood, Miss., was organized in 1921. It is a nonstock, centralized type of association and, like other large-scale cotton cooperatives, uses a marketing agreement with its members. This association handles exclusively cotton grown in the Yazoo-Mississippi Delta. It has no local units, but maintains contact with its members through 13 branch offices scattered throughout their territory. Policies are established by a board of directors of 21, who receive no compensation for time or expense. The association assembles and sells its members' cotton independently of other cotton associations and arranges its own financing.

A member desiring to deliver to the association ships his cotton to the warehouse of his choice, where samples are cut and shipped daily to the nearest branch office, accompanied by warehouse receipts. When proper records have been made at the branch offices, the samples and warehouse receipts are shipped to the general office at Greenwood, where the cotton is classed and sold in accordance with the sales option selected by the member. If he desires, upon arrival of the samples and warehouse receipts at the branch office, the member may receive a preliminary cash advance. Final settlement is made when the cotton has been sold.

The association maintains a number of sales options or pools, most of which are similar in their general operation to those used by other large-scale cotton associations, although the procedure used by the association in handling them is not identical. The factor pool is the most popular sales option offered by the association. Under this option the cotton is classed and valued by the association and sold over the tables in its salesrooms in Greenwood, Clarksdale, and Greenville, Miss., and in Memphis, Tenn. When the association receives a reasonably satisfactory offer, that bid is submitted to the grower and is accepted or rejected. The association, however, will not allow a member to accept a bid below what it considers a reasonable value for the cotton. Instead of making deductions for actual operating expenses and reserves, the Staple Cotton Association makes a flat percentage deduction to cover these items.

In addition to acting as the most important cotton merchandising agency in the Delta, the Staple Cotton Cooperative Association has assisted its members materially in financing the production of their crops through its subsidiary, the Staple Cotton Discount Corporation, which was organized in 1924. Field contacts are maintained and loans to members serviced through a joint arrangement of the association with its branch offices and the Staple Discount Corporation.

During the 14 years of its operation the Staple Cotton Cooperative Association has received from its members and handled for them a

total of approximately 2,720,000 bales of cotton, or an average of about 195,000 bales a season. The present membership totals approximately 4,154 farmers.

FARMERS' COOPERATIVE COTTON GINS

Cotton ginning was originally a plantation enterprise. For many years the gin was almost exclusively a part of the plantation equipment. Its owner supervised the operation of the plant and the ginning and preparation of his cotton for market. When the plantation system began to break up in many parts of the old South, the gin could no longer be maintained as a part of the individual plantation equipment, and a system of custom ginning was developed for those farmers who did not have gin facilities of their own. In the newer cotton areas of the Southwest, custom ginning grew up with the cotton industry. In many sections of the South farmers became dissatisfied with the services and charges of the custom ginners. They undertook to remedy this by organizing to acquire and operate their own ginning facilities.

The earliest of these organizations were joint-stock companies. The first farmers' cooperative gin association, so far as records show, was organized at Greenville, Tex., in 1887. This organization was started by a group of Farmers Alliance members, under a copartnership plan. It built and operated for a short time a two-stand gin plant.

During the two decades prior to 1920 several thousand community gins were built by farmers' stock companies in Texas, Oklahoma, and other parts of the South. The principal reasons for their formation were high ginning rates, inadequate facilities and poor service, low prices of cottonseed, and the farmers' desire for some of the profits going to gin owners. While these companies had some cooperative features, they lacked many of the features now considered necessary for proper cooperative organization and continued cooperative existence. Many hundreds of these groups, organized prior to 1920, built or bought gin plants, but most of these plants passed out of the hands of farmers rather quickly because of poor or inexperienced management and lack of adequate cooperative laws and legal restrictions controlling the transfer of stock to others than farmers.

Development of the present cooperative cotton gin associations dates back to about 1920, although records show that two associations now operating in Texas were organized as early as 1913. With the enactment of cooperative statutes by the various States, farmers again undertook to develop their own ginning business, this time on a strictly cooperative basis. They proceeded rather slowly at first but in a few years the movement, especially in Oklahoma and Texas, gained considerable momentum.

Oklahoma gin associations are all organized under the Oklahoma Cooperative Corporation Act of 1919, which provides for cooperatives

organized on a capital-stock basis. A producer becomes a member by purchasing one or more shares of stock. The amount of stock held by each member is limited by law. Patronage is voluntary and no membership contracts are used. Each member has but one vote, regardless of the number of shares of stock held. These associations gin cotton at the established ginning rates in Oklahoma and return their savings to members in the form of patronage dividends.

The legal structure of the Texas gin associations is not so uniform as that of the organizations in Oklahoma. Many of the Texas associations were organized under what is known as the "Society Law" of 1917, which provides for cooperative organizations on the nonstock plan. Membership contracts are not used. Farmers become members during the organization period by lending the associations varying amounts of capital and later by the payment of annual dues. The popularity of the "Society" or nonstock plan was, no doubt, due to the unfortunate experiences of Texas farmers with joint-stock companies in years gone by, in which they lost control of their gin plants because they could not control the sale of stock. Since 1934 practically all new cooperative gin associations in Texas have been organized with capital stock. The amount of stock which can be held by any producer is limited and the holding of stock is confined strictly to producers of cotton. Each member has but one vote under either plan.

During the years 1920 to 1930 a number of cooperative gin associations were organized in Oklahoma and Texas, of which more than 150 were still operating in 1935. There were, in November 1935, approximately 243 local cooperative cotton-gin associations in Oklahoma and Texas (fig. 3) operating about 280 gin plants; 25 associations were operating two or more gin plants. During the 1933-34 season 33 associations began operation as new cooperatives. There were approximately 40 new associations organized in Texas and Oklahoma during the 1934-35 season.

During the 1933-34 season the 170 active associations already established in Texas and Oklahoma had a combined membership of approximately 27,500 farmers, ginned about 525,000 bales of cotton, and handled about 225,000 bales of cotton and 170,000 tons of cottonseed. During that season revenues from ginning tolls and sales of cotton and cottonseed and supplies were approximately \$17,000,000. The combined net earnings of these 170 associations during the 1933-34 season, after allowing for depreciation, was more than \$1,100,000. Many of these gin associations handle large volumes of supplies for their members.

In addition to the gin plants owned by the local cooperative cotton-gin associations in Texas, the Texas Cotton Cooperative Association

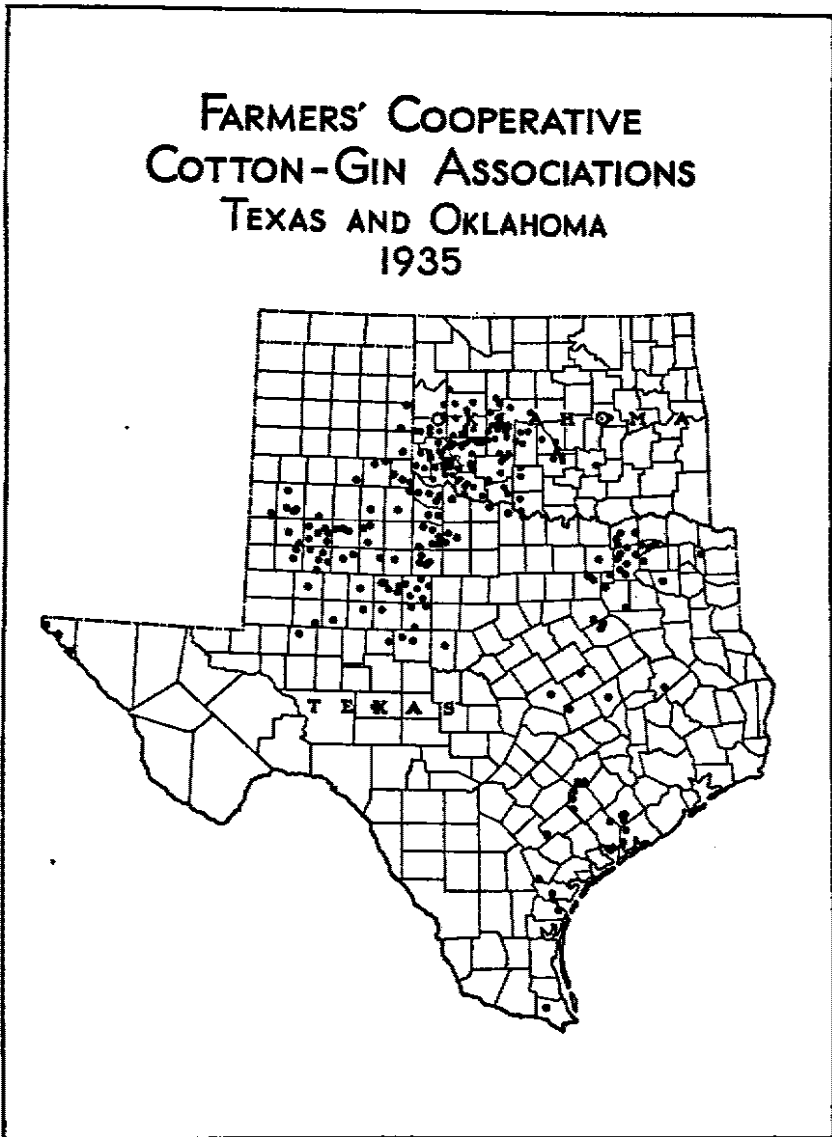


FIGURE 3.—Of these associations, 143 were located in Texas and 100 in Oklahoma. There are only a few cooperative cotton-gin associations operating in other parts of the Cotton Belt.

of Dallas has for several years owned and operated 38 gin plants through its subsidiary, the Texas Cotton Growers Gin Co. The Texas Cotton Growers Gin Co. is being liquidated along with the parent association. To date 24 of the plants have been sold to local cooperative cotton-gin associations and the remainder will be sold in a comparatively short time.

Cooperative cotton ginning has not developed to any great extent outside of Texas and Oklahoma, although there are a few local cooperative gin associations operating in Mississippi, Georgia, New Mexico, and other States. Complete records as to their operation are not available at this time.

Through these cooperative cotton-gin associations farmers have provided themselves with modern ginning equipment, which has made possible improved ginning practices and services adapted to their needs. They have available at all times a competitive market for cotton and cottonseed. In addition farmers have received substantial savings in dividends after paying regularly established rates for ginning. Not only have these farmers benefited themselves by organization, but in many areas the cooperative ownership of gin facilities has been responsible for the general lowering of gin rates and for improvement in quality of ginning and the services offered by all gins in the territory.

Cooperatively owned cotton gins are now a permanent institution in a large number of communities in the Southwest, and farmers will watch the future growth and development of this type of cooperative activity with keen interest in coming years.

COOPERATIVE COTTONSEED-OIL MILLS

For many years farmers have sought methods of increasing their income from cottonseed. Their efforts have been confined largely to the marketing of cottonseed through cooperative ginning and other associations, and through the organization of cooperative associations for acquiring and operating cottonseed-oil mills.

The first attempt of importance at marketing cottonseed cooperatively was made by the Scott Cotton Association of Scott, Ark., in 1914. This association sold cottonseed direct to oil mills, charging a commission of 50 cents a ton. In recent years the Oklahoma and Texas cooperative gin associations, which market large quantities of cottonseed for their members, have been selling direct to oil mills. During the 1933-34 season, cooperative associations in the South sold approximately 200,000 tons of cottonseed.

In a number of instances farmers have attempted to go further than marketing and have actually built or leased plants and crushed cottonseed on a cooperative basis. The first known attempt of this

kind was at Italy, Tex., in 1890. From 1913 to 1918 the Farmers Union of Texas owned and operated an oil mill at Vernon.

The oldest farmers' cooperative cottonseed oil mill operating at this time is the Minter City Oil Mill at Minter City, Miss. This association was organized in 1922 and has operated continuously since that time. Its membership is made up of some 50 large cotton growers in the Mississippi Delta.

The marketing contract of the Southwestern Irrigated Cotton Growers Association of El Paso, Tex., with its members, calls for the delivery of cottonseed as well as cotton. Delivery of seed, however, was not required until 1934 when it was decided that the association could advantageously begin crushing cottonseed cooperatively for its members. During the 1934-35 season the volume of seed crushed was adequate for economical operation, and the association has made a creditable showing at the end of its first year.

Recent studies of the Cooperative Division indicate that farmers in many sections of the Cotton Belt are vitally interested in the possibilities of the cooperative operation of cottonseed-oil mills. Plans are now under way in several areas for development along this line. There are probably more hazards, as well as more possibilities of substantial savings to farmers, in this line of cooperative endeavor at this time than in any other agricultural enterprise in the South.

ASSOCIATIONS MARKETING DAIRY PRODUCTS

COOPERATIVE associations engaged in marketing dairy products represent a wide variety of types of organization, depending both upon the particular products handled and upon the nature of the marketing functions for which the cooperatives assume responsibility. Generally dairy cooperatives may be classified into two groups: Associations marketing manufactured dairy products such as butter, cheese, condensed and evaporated milk; and associations marketing principally whole milk for ultimate consumption as whole or fluid milk and fluid cream.

The line of demarcation between these two broad classifications is not sharply drawn, and in each group further subclassifications may be made. Among the cooperatives manufacturing dairy products are found the local cooperative creameries, the large-scale regional organizations, usually made up of a number of smaller cooperatives, and the cooperative cheese factories. The cooperative dairy-marketing associations handling fluid milk fall logically into three classes: (1) Purely bargaining associations with no manufacturing or processing facilities, acting solely as a sales agent or broker between the farmer and the milk dealer. They take no title to the milk and operate no facilities for processing. (2) Associations which, in addition to bargaining for the sale of milk to dealers, take title to it and usually operate plants for processing surplus milk, that is, milk in excess of the fluid requirements of the market; and (3) associations which perform all of the marketing functions in the fluid-milk market, including retailing or selling milk directly to consumers.

Records of the Cooperative Division indicate that there were 2,300 cooperative associations marketing dairy products in 1935 (table 1). The number of farmers who were members of these associations, as well as the value of products handled by them, exceeded that of any other cooperative commodity group. Approximately 750,000 farmers were members of cooperative dairy associations and these constituted 30 percent of the 2,490,000 members of farmers' cooperative marketing associations in the United States. The volume of business for the 1934-35 marketing season amounted to approximately \$440,000,000, which was approximately 33 percent of the total volume of business of cooperative marketing associations for that year. It is estimated that cooperative dairy-marketing associations handled in 1934 approximately 36 percent of the creamery butter manufactured in the United States.

COOPERATIVE CHEESE FACTORIES

Records indicate that the first cooperative cheese factories were organized early in the nineteenth century.⁸ By the middle of the century considerable interest was being manifested in this form of cooperation. The formation of such associations continued until in 1926 there were 751 cooperative cheese factories listed by the Cooperative Division. Since that time the number has slowly decreased. With the advent of better roads and improved methods of transportation, small factories have tended to give way to larger units. In 1934 there were around 600 cooperative cheese factories in the United States, which sold products amounting to almost \$16,000,000.

Cooperative cheese factories in the United States are largely concentrated in Wisconsin, where almost two-thirds of the total production of American and foreign types of cheese is manufactured. Other States with cooperative cheese factories, in the order of their importance from the standpoint of volume, are Minnesota, Illinois, and New York. Within the last decade there has been considerable expansion of the cheese industry in the West and in the South. The cooperative cheese factory has had its place in this expansion and cooperatively owned and operated factories are to be found in many of the Southern and Western States.

Local cooperative cheese factories are usually small organizations with membership concentrated in a rather limited area. They require no large outlay for buildings and equipment. Since members are usually located near the plant, the milk can be delivered in the proper condition for cheesemaking at a minimum cost. The emphasis of the cooperative cheese factory is on low manufacturing cost, quality improvement, and standardization of product.

Many of the local cooperative cheese factories are incorporated and are financed by the sale of capital stock. Very few of them have formal contracts with their farmer-members. The fact that the membership is small and usually confined to a single community lessens the need for a formal contract. These associations operate ordinarily on a pool basis and make monthly or semimonthly payments to members.

Affiliation with some type of overhead organization affords an opportunity to develop more effective sales programs based on uniform production practices and standardization of products. Such an organization, with headquarters in Plymouth, Wis., has contributed greatly to the marketing of the cheese produced by cooperatives in Wisconsin and southeastern Minnesota. It was organized in 1913 as the Sheboygan County Cheese Producers Federation, became the Wisconsin Cheese Producers Federation in 1917, the National Cheese

⁸ Connecticut Board of Agriculture. Report of the Dairy Commissioner, 1889. See p. 78.

Producers Federation in 1928, and the Wisconsin Cheese Producers Federation Cooperative in February 1935.

The federation has devoted itself largely to problems of quality improvement, advertising, grading, local warehousing, and the development of sales outlets. Late in 1934 the federation became a member of Land O'Lakes Creameries, Inc. (see p. 26), and most of its cheese is now marketed through this sales organization.

Cooperative cheese factories in other sections have also affiliated with overhead sales organizations for more efficient marketing. Each of the large-scale, regional cooperatives on the west coast is now marketing considerable quantities of American cheese. In addition to its sales of American-type cheese, the Challenge Cream & Butter Association markets the products of a small group of cooperative cheese factories in Wyoming making Swiss cheese.

In the Northwest one of the principal areas for the production of cheese is in Tillamook County, Oreg. The Tillamook County Creamery Association, Tillamook, Oreg., began business in 1909 as a federation with nine member-associations operating cheese factories. The organization was created to concentrate the selling activities of local cheese factories and avoid competition among them. In 1934 the associations' 18 member factories manufactured 7,578,000 pounds of cheese. The Tillamook County Creamery Association has enjoyed an enviable reputation in the markets on the west coast for more than 20 years. The association not only furnishes technical assistance along production lines to its members, but also supplies them with bookkeeping and accounting service.

LOCAL COOPERATIVE CREAMERIES

Although the beginning of the development of cooperative creameries goes back to about the middle of the nineteenth century, the wide-spread growth of the movement did not take place until toward the close of the century. The period of most rapid growth was from 1900 to 1910. In 1934 there were 1,388 cooperatives manufacturing butter, according to reports received by the Cooperative Division. These associations manufactured approximately 600,000,000 pounds of butter in 1934, having a total value of nearly \$170,000,000. This was approximately 36 percent of the entire creamery-butter production in the United States.

Cooperative creameries are distributed throughout all the States where dairy farming is an important enterprise. The largest number, however, have been formed in Minnesota, Iowa, and Wisconsin. The 1,079 cooperatives operating in these three States produced more than 407,511,000 pounds of butter in 1934, or 68 percent of the butter produced and sold by cooperatives in the United States. The total value of this butter exceeded \$100,000,000.

Generally speaking, the local cooperative creamery associations operate manufacturing plants and act as sales agents for their farmer-members and other patrons. The initial or overhead capital is obtained, in most cases, by capital-stock subscriptions from farmer-members. Frequently the patron must purchase capital stock in order to become a member. In other cases, where the member is not required to purchase capital stock, a membership fee, varying from 50 cents upward, provides the creamery with a source of capital. Cooperative creameries often borrow in order to finance the building of their original plant and other operations. Working capital for cooperative creameries is obtained usually through deductions from the proceeds of sales.

As indicated above, membership on the part of the farmer in a cooperative creamery is evidenced either by capital stock or by a membership fee. Contracts between the farmer and the creamery are by no means a universal practice, although they are used by some creameries. This practice of accepting nonmember patrons is usually associated with the capital-stock creamery rather than with the creamery in which membership is evidenced by an initial membership fee.

Methods of making payments to producers differ among creameries. Some of them operate on a pooling basis and return to their patrons a price for their cream or butterfat based upon sales value minus cost of operation. Other cooperative creameries have determined through experience that they can pay a certain price in relation to central market wholesale butter prices and still retain for the cooperative an operating margin. These returns to the patrons may be supplemented periodically by patronage dividends based on the volume of product delivered to the creamery.

Cooperative creamery associations have taken an important part in the development of the higher scoring commercial grades of creamery butter and now manufacture a substantial portion of the high quality butter on the market. They have joined in selling through overhead organizations which have developed sales outlets for large quantities of standardized high-quality products, marketed under special cooperative brands. The results of such selling activities have been reflected in improved prices to producers for cream that is properly cared for and delivered to the creamery at frequent intervals. The successful experiences of local cooperative creameries in general may be attributed largely to the high standards of the products manufactured.

LARGE-SCALE MARKETING ORGANIZATIONS

As an outgrowth of the development of local cooperative creamery associations, came the formation of large-scale regional cooperatives

for the marketing of manufactured dairy products. These large-scale organizations have been set up by groups of local cooperative creameries to act as sales agents for the member associations. They are really federations of local creameries limiting their operations, for the most part, to definite sections of the country.

Until 1922 all the cooperative creameries in Minnesota operated independently and each association sold its own products. In that year a federation of local cooperative creameries was formed for the collective merchandising of butter. This organization has developed into the Land O'Lakes Creameries, Inc., of Minneapolis, with a membership of approximately 400 cooperative associations, located for the most part in Minnesota, Wisconsin, North Dakota, and South Dakota.

Products are received from member creameries on a consignment basis, are graded, repacked (under trade-mark name), and sold by Land O'Lakes. Savings are effected through stress on quality and by shipping in large quantities directly to developed market outlets. An important service to members is the cooperative purchase of creamery supplies. Other services include the maintenance of field men to disseminate useful information and otherwise assist members. This association sells each year approximately 80,000,000 pounds of butter, a large part of which is sold in eastern markets under the trade name "Land O'Lakes", a brand which has won wide recognition among consumers. In addition to butter, the association handles cheese, cream, casein, milk powder, and poultry products (table 4).

TABLE 4.—DAIRY AND POULTRY PRODUCTS HANDLED BY LAND O'LAKE'S CREAMERIES, INC., MINNEAPOLIS, MINN., 1924-34

Year	Butter	Cheese	Milk powder	Eggs	Poultry	Dressed turkeys
	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>	<i>1,000 cases</i>	<i>1,000 pounds</i>	<i>1,000 pounds</i>
1924.....	32, 842					
1925.....	79, 107			10		
1926.....	79, 567		733			
1927.....	84, 257		2, 937			
1928.....	86, 649		7, 865	108	1, 197	
1929.....	93, 115		20, 819	53	3, 396	
1930.....	100, 993		19, 150	106	3, 272	
1931.....	98, 215		13, 193	113		2, 927
1932.....	98, 138	4, 539	12, 625	125	4, 243	5, 541
1933.....	98, 392	7, 084	5, 328	107	4, 818	5, 959
1934.....	85, 018	23, 250	5, 419	153	4, 074	4, 811

Coincident with the growth of the cooperative creamery associations in the dairy sections of the Central West, came the development

of many strong creamery organizations on the Pacific coast. In 1934 there were some 50 cooperatives making butter in Washington, Oregon, California, and Idaho. Many of these are much larger than the cooperative creameries in the Central West. For example, the Milk Producers Association of Central California at Modesto, Calif., manufactured 5,563,967 pounds of butter in 1934, and sold altogether dairy products with a sales value of \$3,224,451. The Danish Creamery Association at Fresno, Calif., produced 7,229,000 pounds in the same year and had total sales amounting to \$2,719,110. Cooperative creameries on the Pacific coast, however, are operated according to the same general plan of organization as those in the Middle West. Most of them manufacture several products in addition to butter. They give special attention to the improvement and maintenance of standards of quality and supply a large portion of the higher grades of butter required by the consuming markets on the Pacific coast. Cooperative creameries in California have also formed a regional large-scale organization, setting up the Challenge Cream & Butter Association of Los Angeles, as a sales agency to market dairy products in all the principal markets of the State.

The local cooperative creameries affiliated with the Challenge Cream & Butter Association turn over to the central organization all of their manufactured products for which they have no local outlet and also sizeable quantities of milk and cream for manufacture. Thus the principal function of this large-scale organization is the more efficient development of market outlets, but it must also manufacture, grade, and package some of the products which it sells. This federated sales agency was formed in 1911 by two

TABLE 5.—VOLUME OF BUTTER SOLD AND TOTAL SALES VALUE OF ALL PRODUCTS MARKETED BY THE CHALLENGE CREAM & BUTTER ASSOCIATION, 1913—34

Year	Butter sold	Sales value of all products	Year	Butter sold	Sales value of all products
	<i>Pounds</i>	<i>Dollars</i>		<i>Pounds</i>	<i>Dollars</i>
1913.....	1, 756, 664	-----	1924.....	15, 266, 401	9, 099, 188
1914.....	2, 322, 185	-----	1925.....	18, 726, 239	11, 520, 341
1915.....	2, 974, 728	-----	1926.....	25, 717, 329	14, 852, 050
1916.....	3, 192, 036	-----	1927.....	28, 896, 214	15, 955, 033
1917.....	3, 281, 613	-----	1928.....	28, 221, 620	15, 689, 909
1918.....	3, 295, 264	-----	1929.....	30, 428, 881	17, 669, 078
1919.....	3, 582, 420	-----	1930.....	33, 865, 761	16, 787, 973
1920.....	4, 537, 905	3, 310, 244	1931.....	36, 103, 039	13, 601, 678
1921.....	6, 852, 492	3, 658, 176	1932.....	33, 944, 369	10, 408, 810
1922.....	9, 381, 295	5, 011, 591	1933.....	32, 622, 691	10, 565, 576
1923.....	12, 476, 089	7, 735, 719	1934.....	30, 408, 705	11, 802, 308

creameries selling butter on the Los Angeles market. It now has 18 member-associations located in California, Idaho, Wyoming, Colorado, Nevada, and Utah. Its principal sales offices are in Los Angeles and San Francisco and there are nine other distributing points.

The Challenge Cream & Butter Association is the oldest cooperative handling a large volume of dairy products and has had a steady growth in quantity of butter marketed since 1913, as indicated in table 5. While from the standpoint of volume butter is the most important item handled, the association also markets cheese, casein, milk powder, fluid, and evaporated milk. A working agreement between Land O'Lakes Creameries, Inc., and the Challenge Cream & Butter Association represents another step forward in the cooperative dairy-marketing field.

The United Dairymen's Association of Seattle, Wash., is the sales agent for about a dozen important dairy cooperatives in Washington and Idaho. In addition to marketing the major portion of the manufactured dairy products produced by its members, this association processes surplus milk of the Seattle Milk Shippers Association. The association acts as a jobber in Seattle and Tacoma and sells at wholesale in California, Alaska, and other places. In 1935 the association marketed about 15,000,000 pounds of butter.

The Interstate Associated Creameries of Portland, Oreg., markets on an agency basis for eight cooperative creameries and one milk-marketing association in Oregon. Its members sell only the surplus above local sales through this overhead organization. Handling butter, cheese, dried milk, sweet cream, and milk fat, its volume of business was close to \$1,000,000 in 1934.

The Dairy and Poultry Cooperatives, Inc., has a membership of about 20 creameries in the Central West. This cooperative agency draws the larger part of its volume from centralized creameries, although it has a number of affiliated local cooperative creameries in Nebraska and Iowa. It markets that part of its members' products which cannot be sold locally, acting solely as a sales agent. Its principal office is in Chicago, and there is an important branch office in New York City.

One of the newer regional sales agencies, the Midwest Producers Creameries, Inc., Indianapolis, Ind., represents a group of 19 cooperative creameries in Indiana and Michigan, which together manufactured more than 25,000,000 pounds of butter in 1934.

The above-mentioned cooperative sales agencies represent creameries manufacturing approximately 20 percent of the total output of creamery butter in the United States. Their membership includes creameries in practically every important dairy producing section of the country. Methods of financing, types of contracts, and even operating procedure, vary so widely between the different organiza-

tions as to prevent generalizations. The Land O'Lakes' contracts with its member creameries, for example, are cancelable upon notice every year, whereas those of the Challenge Cream & Butter Association run until 1950.

COOPERATIVE MILK-MARKETING ASSOCIATIONS

The growth of fluid-milk marketing associations prior to 1917 was rather slow. Records show that there were only 4 such associations prior to 1900 and that only 14 now operating were organized before 1915. The rapid increase in the number of cooperative milk-marketing associations began during the World War and continued until about 1925. Few new associations were formed thereafter until in the last 2 years.

Cooperatives handling milk are well distributed over the United States. Naturally, the larger associations are located in the regions of dense population. There are, however, a few large cities where the producers selling milk are not represented by a cooperative association. In proportion to urban population, there has been less development of milk-marketing cooperatives in the South than in the North and West. Most of the southern associations have been formed in recent years and have consequently had less experience. Fluid-milk marketing associations handled in 1934 approximately two-fifths of the fluid milk sold in the United States. The estimated value of the milk marketed in that year by 185 cooperative associations reporting to the Cooperative Division was \$239,000,000.

The location of the principal fluid-milk associations is shown in figure 4. In the Northeastern States the associations are so close together that there is some overlapping of supply areas. This means that many farmers have the opportunity of shipping to more than one market. Cooperatives, therefore, have acute problems involving the competition between associations for members in order to maintain their volume of business.

As stated above (p. 22) cooperative milk-marketing associations may be classified in three groups. The purely bargaining association acts only as the agent of its members and has no authority under its marketing contract to handle milk in its own plants or collect for its sale. It functions in much the same manner as a broker. The buyer or dealer pays the farmer directly the full price of the milk, less a small deduction or brokerage which is turned over to the association. The amount of this deduction varies widely with different associations and ranges from 1 to 11 cents per 100 pounds of milk. The association negotiates the price, terms, and conditions of the sale. It represents producers in working out the price plans in the market, including

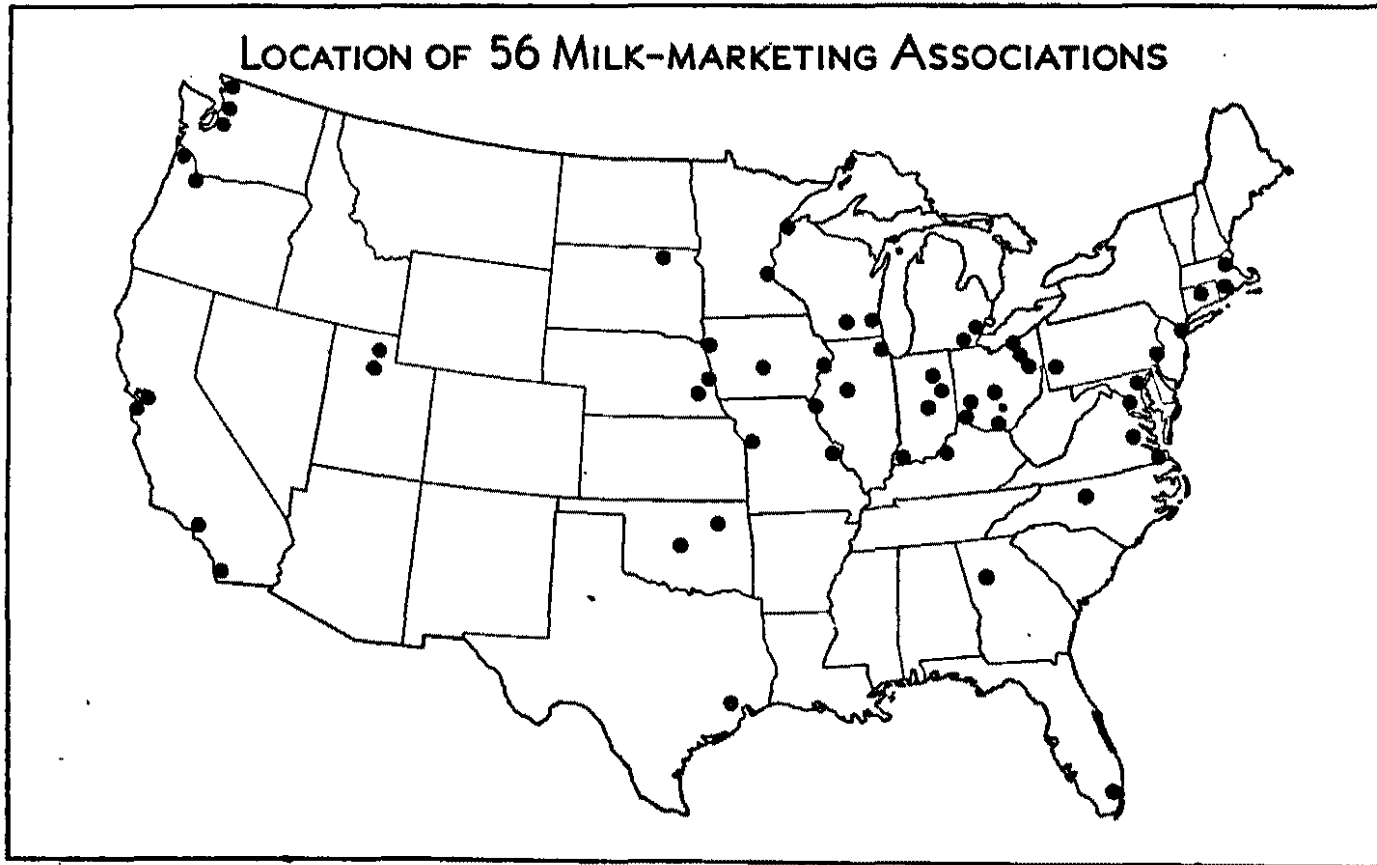


FIGURE 4.—Cooperative milk-marketing associations are most important in the sections of large urban population. They are widely scattered throughout the United States.

the base-surplus⁹ rules and transportation. All of the milk is sold to the distributor, including that which is classified as surplus.

Examples of associations that do not own facilities, and act only as the agent of producer-members, are the Inter-State Milk Producers Association, Philadelphia, Pa.; the Sanitary Milk Producers, St. Louis, Mo.; and the Dairymen's Cooperative Sales Association, Pittsburgh, Pa. There are a number of associations that own only a few plants, as in the case of the Pure Milk Association, of Chicago. This cooperative sells the greater part of its surplus milk to the distributors, but does own a few plants to take care of excess base milk and surplus that cannot be disposed of easily to the principal buyers.



FIGURE 5.—RECEIVING MILK AT A COUNTRY RECEIVING STATION.

* The milk of the producer is sample tested and weighed in the local plant of the cooperative association.

. In recent years there has been a tendency for cooperatives to assume greater responsibility; to take over more of the marketing functions. In order to do this it has been necessary, in a number of instances, to develop a new marketing contract between the association and its members. For example, in New England, where there has been a cooperative milk-bargaining association in operation for more than 15 years, farmers have recently developed a scheme whereby their cooperative owns and operates about 20 country milk plants, and makes payment directly to farmers for a portion of the milk received (fig. 5).

⁹The base-surplus plan offers an opportunity to the producer to adjust his production partially to the requirements of the market. The base quantity usually represents sales to consumers as fluid milk; whereas the surplus goes into manufactured products.

Bargaining associations that take title to the milk of their members may own and operate plants for the manufacture of all or a part of the surplus. The usual practice is for these associations to sell to the dealers such quantities of milk as they require and to process all other milk.

The largest as, well as one of the oldest, of the bargaining associations is the Dairymen's League Cooperative Association, New York City. The present organization was incorporated in 1921 and was a reorganization of an association organized in 1907. It is the largest of the milk-marketing associations and in 1934 handled more than 2½ billion pounds of milk for its 40,385 members located in New York, New Jersey, Pennsylvania, Vermont, Massachusetts, and Connecticut. Producers received for this milk approximately \$40,000,000. The league operates 119 country receiving plants which handled in 1934 an average volume of 344 cans per day. It also distributes to consumers a portion of the milk received (fig. 6).

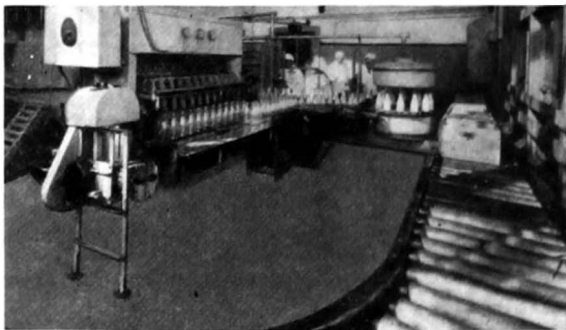


FIGURE 6.—BOTTLING FLUID MILK FOR THE CONSUMER.

The Dairymen's League Cooperative Association, of New York City, distributes to consumers a portion of the milk received.

Other examples of bargaining associations owning and operating plants for the processing of surplus milk, are the Twin City Milk Producers Association, St. Paul, Minn., and the Des Moines Cooperative Dairy Marketing Association, Des Moines, Iowa.

The Maryland and Virginia Milk Producers Association, Inc., of Washington, D. C., takes title to the milk but does not own its processing facilities. This association contracts with its distributors to separate all of the surplus milk into cream. The cream is then turned over to the association for such disposition as it considers advisable. Associations taking title to the milk usually collect for its sale from

the dealers and make payments directly to farmers from the association office.

In the change from a strictly bargaining set-up to an association which owns and operates its own facilities, many modifications must be made in operating policies and in the corporate and financial structure. It may be necessary for farmers to authorize an increase in deductions from their milk checks to provide the capital necessary to handle the business and to permit the association to acquire plants. Considerable increase in personnel has been made to take care of the additional work of the association.

The cooperative distributing milk at retail to consumers usually has a relatively limited membership. It must limit its supply to its retail and wholesale outlets. In this respect it differs radically from the bargaining association which attempts to have under contract a large proportion of the milk in the market. Farmers who intend to set up their cooperative as a retail distributing agency in the city should appreciate that this type of association requires an investment several times greater than that needed by most bargaining associations. Capital must be provided to purchase the milk plant, to acquire expensive equipment, machinery and supplies, and to provide sufficient funds for current operations.

There are about 15 cooperatives engaged in retail distribution of milk. Cooperatives which have gone into retail distribution include the Dairymen's League Cooperative Association; The Cooperative Pure Milk Association, of Cincinnati, Ohio; the OK Cooperative Milk Association in Oklahoma City, Okla.; the Guilford Dairy Cooperative Association in Greensboro, N. C.; and others.

COOPERATIVES HANDLING FRUITS, VEGETABLES, AND NUTS

THE fruit-and-vegetable industry of the United States is widespread and comprises a large variety of products. Some of these products are grown in all States, but commercial production of many crops is confined to special areas where climatic, economic, and other conditions are favorable. The fact that during the 10-year period ending with 1932 all except five States had average annual shipments of more than 1,000 cars of fruits and vegetables, is evidence of widely scattered production. It is true that there are areas of intensive production; for instance, California shipments average around 200,000 carloads a year divided about equally between fruits and vegetables. Three States ship 50,000 cars a year and 10 others ship 25,000 cars each annually.

Diversity of fruit and vegetable products also adds to distribution problems. The Department of Agriculture has established grades for 51 fruits and vegetables, with a total of 73 standards. There are many miscellaneous products, for which no grades have been established. It is not uncommon to find as many as 100 different fruits and vegetables being sold at one time in our large consuming centers. Problems in this field are further complicated because most fruits and vegetables are highly perishable in nature, by the fact that the same commodity may come from many competing areas, and by the ease with which such products may be substituted for one another.

About 15,000 firms handling fruits and vegetables are licensed by the Department of Agriculture each year. This group embraces mainly wholesale distributors of these products; that is, cooperatives, buyers, brokers, jobbers, commission houses, and other agencies.

Cooperative organization has developed among producers of fruits and vegetables in all important commercial growing areas. The extent of such development, however, has varied according to such factors as products grown, market conditions, areas of production, and availability of production credit. Accordingly, the map of cooperative fruit and vegetable marketing associations presents a somewhat irregular appearance. For example, about 60 percent of the total citrus crop in the United States is handled through cooperative associations. In California and Arizona about 85 percent of the production of citrus fruit moves through cooperative associations; but in Florida only about 25 percent of the citrus crop is marketed cooperatively. Almost 90 percent of the California walnut crop is handled through a producers' cooperative organization. In contrast,

only a very small proportion of the pecan crop is marketed through cooperative channels. Many truck crops are rarely handled by cooperative associations, while in some areas a large proportion of all vegetables grown is marketed through cooperatives.

An important factor in the development of cooperatives in certain areas and more particularly in the case of crops which require considerable outlays of production credit, has been the handling of this form of credit by private distributing agencies. As this source of credit to a material degree influences the marketing agencies used, producers with no other source of credit were not in a position to affiliate with cooperatives. Since the establishment of production-credit associations under the provisions of the Farm Credit Act of 1933, producers are able to exercise a wider choice of marketing agencies.

DEVELOPMENT OF LOCALS

In the 1934-35 marketing season there were 1,082 fruit and vegetable associations reporting to the Cooperative Division. These cooperatives had a total membership of 158,000 producers and did an estimated annual business of \$200,000,000. Fruit and vegetable marketing associations in 1935 constituted 12 percent of the total number of selling associations of which the Cooperative Division had record. The total membership of these associations was 6 percent of all cooperative marketing membership and the business handled during the 1934-35 marketing season was 15 percent of the total estimated business done by marketing cooperatives in the United States.

Early efforts at cooperative organization among fruit and vegetable producers were directed toward the establishment of more or less informal local associations. Membership in these was largely confined to growers around a single shipping point who produced a single commodity or a group of related commodities, which moved to market through the same distribution channels. Organization was effected primarily for the purpose of jointly assembling, grading, packing, and preparing products for market.

The first association on record in the fruit-and-vegetable field was the Fruit Growers Union and Cooperative Society of Hamonton, N. J., which was organized in 1867 and functioned for over 30 years. Berries, grapes, pears, and apples were the most important products handled. Numerous attempts at organization were made by fruit and vegetable growers during the seventies and eighties. It is probable that the organization activities engaged in by the citrus growers of southern California during the nineties prompted considerable organization activity in other areas. At any rate, a pronounced increase in cooperative marketing associations in the fruit-and-vegetable field began about 1900.

As producers gained experience through these community activities, both members and management recognized the necessity for

more adequate grading and packing standards, as well as for other improvements in the preparation and marketing of their commodities. Cooperative associations, therefore, have taken a leading part in the development of grades and standards. The next logical step was the consolidation of these local associations into regional or large-scale organizations which would enable producers to undertake cooperatively activities impracticable for small units.

LARGE-SCALE ORGANIZATIONS

There are now a number of large-scale marketing organizations in the fruit-and-vegetable field. This group includes 52 organizations of both the federated and centralized types. Among the commodities handled by these associations are apples from the Northwest, citrus fruit grown in California and Florida, California deciduous fruits, cranberries, potatoes, walnuts, almonds, and various kinds of dried fruits. Through these large-scale organizations producers have been able to develop better methods of preparing their products for market, and have expanded their distribution territory by advertising and active salesmanship. They have also reduced operating costs through handling larger volumes and have strengthened their bargaining position with large-scale purchasers of their commodities. Organizations of this type have enabled producers to supervise distribution of their products.

A limited number of the large-scale associations in the fruit-and-vegetable field have set up their own sales organizations and maintain salaried employees in important consuming markets. To do this economically requires a large volume of business and a relatively long marketing season. Very few of the associations handling fresh fruits and vegetables have been able to meet these requirements. As a result they have usually relied upon established commercial agencies for performing the actual contact with buyers in consuming markets. Many organizations, however, employ at the headquarters of the associations their own resident sales managers who work directly with their broker representatives in terminal markets.

The large number of commodities in the fruit-and-vegetable industry, and the number and variety of associations engaged in handling fresh fruits and vegetables, dried, canned, and processed fruits and vegetables, and nuts, present an exceedingly complex picture. It is believed that this situation can be illustrated best by describing some of the typical associations operating in different branches of the fruit-and-vegetable field.

THE NATIONAL FRUIT AND VEGETABLE EXCHANGE, INC.

Leaders in the cooperative marketing of fruits and vegetables for many years recognized the need for a more complete and extensive marketing program. Organizations for the cooperative market-

ing of fruits and vegetables have developed in all sections of the country and it was apparent that in a majority of cases individual cooperatives did not have sufficient tonnage to justify the financial investment and expense necessary to set up adequate sales and distribution service for their products. Only through group action on the part of local, regional, or commodity associations is the development of such a program possible.

Early in 1931 a group of leaders in the cooperative marketing of fruits and vegetables held a conference in Washington, D. C., for the purpose of developing plans leading toward the establishment of a cooperative national sales organization. These grower-representatives obtained the assistance of Federal and State agricultural leaders and the experienced managers and sales managers of many of the successful fruit and vegetable cooperatives, with a view to developing an organization and an operating program which would best serve the needs of all.

These activities led to the development and organization of the National Fruit and Vegetable Exchange, Inc., which was incorporated May 21, 1931. It is a nonstock, Nation-wide sales agency owned and controlled by its grower-members through a board of directors chosen by the members. The National's headquarters are in New York City and it maintains regional terminal supervisory offices in Chicago, Ill., and Dallas, Tex. Many regional shipping-point sales offices are maintained in the principal producing sections of the country. The membership of the National now includes nearly 30 fruit and vegetable cooperatives representing practically every major fruit and vegetable producing area. The operating program of the National was designed to include the following services and functions for fruit and vegetable associations:

1. Render complete shipping-point sales service when such is required by member associations.
2. Supply a Nation-wide supervised terminal market service.
3. Bring together under one sales management adequate supplies of various commodities to meet the quantity and grade requirements of large-scale buyers.
4. Exercise distribution control, insofar as the facilities of the organization and the volume of business under contract will permit.
5. Disseminate market information.

The plan of operation covers complete sales service, including representatives at shipping points for member units who do not have their own sales managers or who cannot economically maintain their own sales facilities because of limited volume of business or short shipping season. Wherever possible, only one distributing representative in each terminal market is utilized, provided this outlet is

qualified to serve all commodities efficiently. Supervision of the sales force is under the control of the executive and division officers. Organizations requiring shipping-point service pay an additional charge to cover its cost. Charges for all types of sales service are based on the actual handling cost of each commodity.

The exchange permits affiliation of cooperative associations with a minimum of readjustment in their policies and of changes in personnel. Wherever possible it is the policy to utilize the personnel and facilities of member units at shipping points and in terminal markets.

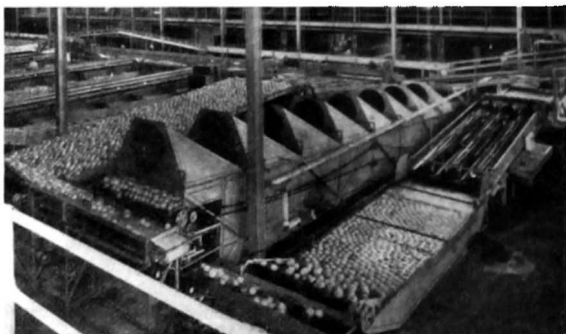


FIGURE 7.—PACKING HOUSE OF A LOCAL COOPERATIVE ASSOCIATION MEMBER OF THE FLORIDA CITRUS EXCHANGE.

Machinery plays an important part in washing, drying, sizing, and otherwise preparing citrus fruit for market.

COOPERATIVES MARKETING CITRUS FRUIT

As stated above, almost 60 percent of the United States citrus crop is handled cooperatively. The largest and most outstanding organization in this field is the California Fruit Growers Exchange, a federation which handles oranges, lemons, and grapefruit produced in California and Arizona. This organization, with headquarters at Los Angeles, Calif., is composed of about 200 local packing units representing in excess of 13,000 individual producers. It maintains its own sales offices with salaried employees in over 50 important markets of the United States and Canada. According to the report of the general manager of the above organization, shipments of packed fruit for the year ended October 31, 1935, totaled 71,944 carloads, or 74 percent of the total California and Arizona shipments. These

shipments comprised 52,616 carloads of oranges; 2,253 carloads of grapefruit; and 17,075 carloads of lemons. In addition, the exchange handled loose fruit equivalent to 8,142 standard carloads. The total value of citrus fruit marketed by the exchange for the year (f. o. b. packing house) was \$72,399,390.

The Florida Citrus Exchange, with its central office at Tampa, Fla., is also of the federated type. The fruit is usually prepared for market in packing houses locally owned and controlled. Specialized machinery is used in the preparation of the fruit for market (fig. 7). Grower membership of this organization in 1934 approximated 5,000. The annual report of the general manager for the 1934-35 crop stated that as of June 1, 1935, the Florida Citrus Exchange shipped 7,879 carloads of oranges, 4,971 carloads of grapefruit, and 1,210 carloads of tangerines, making a total of 14,060 carloads.

Other citrus-fruit cooperatives include the Rio Grande Valley Citrus Exchange, Weslaco, Tex.; the Gold Buckle Association, East Highland, Calif.; and the Mutual Orange Distributors, Redlands, Calif.

DECIDUOUS-FRUIT ORGANIZATIONS

Associations handling apples, particularly those in Washington, Oregon, and California, have made pronounced progress in cooperative marketing. They have built substantial facilities for grading, packing, storing, precooling, and cold-storing their members' products. Certain of the associations have subsidiary credit corporations, or have made other arrangements for advancing production credit to their members. They also engage in cooperative purchasing of supplies for their members and patrons.

One of the more important apple-marketing cooperatives is the Apple Growers Association, of Hood River, Oreg. In 1934 this association had 528 grower-members. Its sales of members' products for the 1934-35 season totaled \$2,336,449. This association operates its own packing plants and cold-storage houses, and handles its sales through brokers and through direct contacts with purchasers. It has been a leader in developing foreign outlets for its brands primarily in the markets of Great Britain.

The Wenatchee-Okanogan Cooperative Federation consists of member associations located in the Wenatchee and Okanogan River Valleys of north central Washington. In 1934 this federation had 10 units with a total of 500 members. The organization sold in 1934-35, nearly 2,000,000 boxes of apples and pears.

In the Yakima Valley of Washington there are two large cooperative enterprises—the Yakima County Horticultural Union and the Yakima Fruit Growers Association. Both are engaged primarily in the

grading, packing, storing, and selling of apples. In 1934 the Yakima County Horticultural Union reported that it had a total of 529 patrons. During the 1934-35 season sales of members' commodities totaled \$1,727,391. The Yakima Fruit Growers Association in 1934 had a stated membership of 900 and did a total business of \$2,175,388 during the crop year 1932-33. Both the union and the association operate packing and cold-storage plants in the Yakima Valley. The Yakima County Horticultural Union handles primarily apples and pears, while the Yakima Fruit Growers Association handles a group of commodities including apples, pears, cherries, peaches, plums, and asparagus.

Substantial progress has been made in California in the handling of apples and other deciduous fruits, such as cherries, plums, pears, and grapes. The Sebastopol Apple Growers Union, with a membership of 586 producers, handled 285,055 boxes of apples in 1934. The California Fruit Exchange, Sacramento, Calif., was organized in 1901 as a federation. It now consists of 184 units with 3,500 grower-members. In 1934 it shipped 10,651 cars of deciduous fruit. Products handled by the California Fruit Exchange are sold by the salaried sales organization of the California Fruit Growers Exchange in accordance with the terms of a contract of over 30 years' standing. This joint arrangement has worked definitely to the mutual advantage of both organizations and is an outstanding example of cooperation between cooperatives.

ASSOCIATIONS FOR CANNING, DRYING, AND PROCESSING FRUIT

Although some progress has been made in the development of cooperative associations for the preservation of vegetables, the primary development in the processing field has been in the establishment of cooperatives for the canning, drying, and processing of fruits.

Among the cooperatives in the dried-fruit field, mention should be made of the California Prune & Apricot Growers Association, which began operation in 1916. In 1934 this organization reported a grower membership of 5,234. During the previous season its total sales of members' products had amounted to \$5,292,945. The Sun-Maid Raisin Growers Association of California reported for 1935 a membership of 3,453 and a volume of business for the 1934-35 season of \$5,347,866.

The Fruit Growers Cooperative, of Sturgeon Bay, Wis., and the Cherry Growers Packing Co., of Traverse City, Mich., are cooperative canning associations engaged in the canning of red sour cherries. The Hillsboro-Queen Anne Cooperative Association, operating in Maryland and nearby territory, is engaged primarily in the

canning of vegetables. Other important cooperative enterprises in this field are the North Pacific Cannery & Packers, Inc., a cooperative sales agency with headquarters at Portland, Oreg.; the Eugene Fruit Growers Association, Eugene, Oreg.; and Washington Packers, Inc., of Sumner, Wash.

NUT-MARKETING ASSOCIATIONS

The California Walnut Growers Association, Los Angeles, Calif., established in 1912, is a federation composed of 38 local associations, with a total membership in 1935 of 8,250 growers. The volume of business handled by the central association has grown from 50 percent of the State's production to 87 percent, and in recent years the association has marketed annually more than 55,000,000 pounds of merchantable walnuts. The walnuts are received and graded in local



FIGURE 8.—PACKING HOUSE OF A LOCAL COOPERATIVE ASSOCIATION MEMBER OF THE CALIFORNIA WALNUT GROWERS ASSOCIATION

California walnuts are both machine and hand sorted to remove defective nuts. In the background are large vacuum machines which automatically lift out all walnuts which do not have plump, fully-developed kernels. The remaining walnuts pass before experienced "cullers", who remove all walnuts showing surface blemishes.

packing houses similar to the one shown in figure 8. Most of the walnuts are packed in bags of 100 pounds each and marketed as unshelled nuts. Some walnuts are cracked in plants operated by the central association and the meats canned or packed in boxes to supply the shelled-nut market.

The California Almond Growers Exchange, with headquarters at San Francisco, handled a total of 6,043,458 pounds in 1933. In 1934 the National Pecan Growers Exchange, Albany, Ga., handled 1,599,881 pounds of pecans. Its 1934 membership totaled 1,997 growers. The North Pacific Nut Growers Cooperative, Dundee, Oreg., represented 1,700 growers, for whom it sold in 1934-35 nuts valued at \$570,000.

POTATO-MARKETING COOPERATIVES

Potato producers in some of the more specialized areas have set up cooperatives for marketing their crops. One of the oldest cooperative agencies handling potatoes is the Eastern Shore of Virginia Produce Exchange, a centralized organization established in 1900, with headquarters at Onley, Va. This organization operates receiving stations at numerous points on the Eastern Shore of Virginia and Maryland. The association handles a diverse group of commodities, including white and sweet potatoes, strawberries, cabbage, onions, and beans; of which the most important, from the standpoint of volume handled, is white potatoes. In 1934 the exchange had 2,100 members and did business with a total of 3,500 growers, including members and patrons. Sales of all commodities for growers in 1934 totaled \$2,198,709.

The Hastings Potato Growers Association, of Hastings, Fla., organized in 1922, is engaged in handling early white potatoes. This association has a membership of about 150 producers. In 1933-34 sales for its members totaled \$777,902. For the same year its total business, including sales of members' commodities and purchases of supplies for members, was \$1,082,492. The association owns and controls a subsidiary corporation which aids growers in financing production, harvesting, and marketing activities. In order to insure, as far as practicable, a continuance of its financing operations, the association has accumulated reserve funds to which each grower contributes in proportion to the use he makes of the organizations' various supply-purchasing and marketing services. These reserve funds enable the association to meet its obligations to lending institutions when due, even though it may be necessary to carry over into a succeeding season loans to growers which, owing to short crops, low prices, or for other reasons, have not been entirely liquidated at maturity. By thus maintaining its credit with lending institutions, the association has been able to obtain funds with which to meet its members' financing requirements.

Among other important cooperative potato associations are the Colorado Potato Growers Exchange, Denver, Colo., Michigan Potato Growers Exchange, Cadillac, Mich., Maine Potato Growers, Inc., Presque Isle, Maine, and the Kaw Valley Potato Growers Association, Topeka, Kans.

ASSOCIATIONS HANDLING GENERAL TRUCK CROPS

A number of factors, such as wide fluctuations in production, short marketing seasons, and other features of highly perishable commodities, have made the development of cooperative marketing among producers of truck crops difficult. There are, however, a few significant cooperative activities in this field. The Eastern Shore of Vir-

ginia Produce Exchange, previously mentioned, handles substantial quantities of strawberries, cabbage, and other truck crops.

The Manatee County Growers Association, with headquarters at Bradenton, Fla., has a membership of about 400 growers. This association handles a variety of truck crops, of which celery, tomatoes, and peppers constitute the larger volume. Other important truck-crop associations in Florida include the Sanford-Oviedo Truck Growers, Inc., and the Standard Growers Association, Inc., both with headquarters at Sanford.

In Louisiana the Central Strawberry Cooperative Association, Hammond, La., has been established recently. This is a federation with a membership of 10 cooperative associations. It performs both purchasing and marketing services for its members. The association is in its first year of operation, during which it has handled a total of almost 400 cars of truck crops, including 350 cars of strawberries.

The Sowega Melon Growers Association, Adel, Ga., was incorporated in 1922 to market watermelons for its members. In 1935 the association reported that it had a membership of 3,400 growers, 2,000 of whom were selling their products or buying supplies through the association. The volume of business for the year 1934, including supplies sold to patrons, was \$259,057. In addition to the marketing association, there are two affiliated organizations—the Sowega Fertilizer Corporation and the Sowega Products Corporation. The fertilizer corporation, established in 1925, is engaged in the mixing of fertilizer, and the products corporation, which began operations in 1932, has as its principal function the operation of a cannery for handling vegetables, principally beans and tomatoes.

Mushrooms

The center of the mushroom industry in the United States is in Chester County, Pa. There are approximately 500 mushroom growers within a radius of 30 miles of Kennett Square who grow year around, 15,000,000 pounds of mushrooms, or over 75 percent of the total domestic production. The Mushroom Growers Cooperative Association of Pennsylvania was organized in 1925 with headquarters at Kennett Square, Pa. The association was incorporated as a nonstock cooperative for the purpose of expanding the market for mushrooms, fostering research studies for the control of diseases and insect pests of mushrooms, and reducing marketing and production costs. The membership includes between 250 and 300 growers. In addition to handling mushrooms, the association purchases for its members, supplies, such as baskets, sulphur, paper, and wire, and

produces and distributes an improved type of mushroom spawn. In 1935 the association sold for its members 2,500,000 baskets of mushrooms. The members sell and consign mushrooms produced by them to terminals and merchants approved by the association.

The association has a subsidiary, the Mushroom Cooperative Canning Co., which established a modern cooperative canning plant in 1931 (fig. 9). The cannery is operating on a seasonal-pool basis. It advances about 50 percent of the estimated seasonal-pool price on raw stock to the member at the time of delivery. Later, pay-



FIGURE 9.—MODERN PLANT OF THE MUSHROOM COOPERATIVE CANNING CO., KENNETT SQUARE, PA.

The Mushroom Cooperative Canning Co. is a subsidiary of the Mushroom Growers Cooperative Association of Pennsylvania. The cannery is operated for the utilization of all the fresh mushrooms of suitable market grade.

ments are made as sales of canned mushrooms are made. The cannery is in operation throughout the entire season of production.

The association's trucking service was started in 1929. The trucking department operates a fleet of about 30 trucks for terminal market and pick-up service. More than two-thirds of the mushrooms are shipped by truck. The pick-up trucks bring the mushrooms from the farms to the loading station, where they are assembled and reloaded into the large terminal-market trucks. The association maintains regular deliveries by truck to New York, Newark, Philadelphia, Baltimore, and Washington.

COOPERATIVE MARKETING OF GRAIN

GRAIN growers first became actively interested in the cooperative marketing of their product through a desire to obtain representation on local markets. Starting with locally controlled, single-unit elevators, growers in the United States thus pursued a course somewhat different from that followed in Canada, where centrally controlled elevators of the line-house type early became the most prominent form of cooperative grain-marketing agency.

The development of cooperative grain marketing in the United States may be divided logically into the following periods: 1857 to 1875, a time of isolated local efforts; 1876 to 1885, a period of decline in number of local cooperative elevators; 1886 to 1914, years marked by a revival of interest in this form of cooperation and an increase in the number of cooperative grain elevators; 1915 to 1920, the period of most active growth of farmers' cooperative elevators, under the additional stimulus of a rapidly expanding wheat acreage; 1921 to 1929, the time of most rapid growth in cooperative terminal sales agencies, development of wheat pools, and efforts toward establishing a national sales agency. Since 1929 a national sales agency has been in operation, and there has been a revival of interest in the stability of local cooperative elevators.

LOCAL COOPERATIVE ELEVATORS

So far as is known, the first cooperative grain elevator was built by a group of Wisconsin farmers in 1857.¹⁰ It lasted but one season. Another early effort was that of a group of Iowa farmers who built an elevator at Blairstown in 1867. This elevator operated only 2 or 3 years. The farmers' elevator movement had a slow, laborious growth, with both internal and external difficulties to be overcome. It received some stimulus from the Granger movement until that began to decline about 1875.

From 1876 to 1885 the number of farmers' cooperative elevators in operation declined rapidly. In some States they passed out of existence entirely. Early failures and a temporarily improved general price level from 1879 to 1883 slackened interest in this form of cooperation for a time.

Beginning in the early eighties generally unsatisfactory wheat prices stimulated interest in the organization of farmers' cooperative elevators. In Illinois at least 71 cooperative elevators were estab-

¹⁰ Hibbard, B. H., *The History of Agriculture in Dane County, Wis.* Univ. of Wis. Bull. 101, pp. 69-214, illus. 1904. (Wis. Univ. Econ. and Pol. Ser., v. 1, no. 1.)

lished between 1884 and 1903; in Iowa 52 farmers' companies were formed during the same period, and the movement spread rapidly into other States. The organized grain trade offered determined opposition to the farmers' cooperative elevator movement, but this only stimulated the more rapid establishment of locals.

The Nebraska Farmers Grain Dealers Association was formed in January 1903. The Illinois Farmers Grain Dealers Association was organized the following month. Interest in this type of organi-



FIGURE 10.—FARMERS' LOCAL COOPERATIVE ELEVATOR.

Farmers' cooperative elevators represent considerable investment in grain-handling facilities. This elevator has a loading capacity of 50 bushels of grain per minute.

zation spread to other States, and the associations thus formed became an important influence in supporting, as well as promoting, local cooperative elevators. The State organization eventually supplied for members accounting service, expert assistance in income-tax matters, surety bonds, and various types of insurance. Cooperative elevators working in concert through the State organizations were able to gain access to the terminal markets. Gradually commission firms began to accept and again compete for farmers' grain business. This paved the way for renewed organization activities, which continued for some 15 years.

The number of local cooperative-elevator associations in the United States reached a peak in 1921. It is estimated that in 1935 there

were approximately 3,100 farmers' elevators in the United States, with a membership of around 580,000 farmers.

The average local cooperative elevator has a membership of from 100 to 200 persons. These members own one or more shares of stock in the cooperative company. Because of the necessary investment in grain-handling facilities (fig. 10), it is generally impractical for the cooperative elevator to operate as a nonstock cooperative. The members who are the stockholders usually elect their board of directors at an annual meeting. The directors employ the manager and otherwise direct the policies of the association. There has been an unfortunate tendency among directors, however, to delegate to the manager responsibility for the determination of policies, as well as for their execution.

Grain is received from both members and nonmembers. The prevailing market price is usually paid at the time of delivery and any savings during the season are distributed either to the members or to all patrons, on the basis of the volume of grain delivered by each. Some cooperative grain elevators pay patronage dividends to members only, while others pay such dividends to all patrons, whether members or nonmembers.

Some cooperative elevators receive grain which is stored for the account of the grower and others handle grain through the elevator and into a car for producers at a fixed charge per bushel. In other cases contracts are made for growers' grain before it is harvested. Grain storage for the account of producers and contracting for growing grain have frequently caused difficulty to local cooperatives. Storage space was frequently limited so that it became necessary to ship out and sell grain belonging to others, replacing it with a purchase of "futures." Contracts for growing grain were not always in writing and were not specific as to details.

LINE-ELEVATOR ASSOCIATIONS

A special type of cooperative for marketing grain is the association operating along lines similar to those developed by the private line-elevator companies. Cooperative line-elevator associations are centralized cooperatives which acquire ownership of local elevators and operate them under central control. Stock ownership and membership are in the cooperative line-elevator association, which owns the local facilities. The management of the local plants is under the direct control of the central management. A uniform system of accounting is usually employed and local operations are more or less uniform. The central office does all the selling and gives orders as to buying.

Under this plan the central organization functions as a pool for profits and losses made at the several local plants. This pooling of profits, especially over any large area, is often unsatisfactory to members because of the unequal degree to which they contribute to profits. Another difficulty is that the absence of local ownership weakens local interest in the cooperative as compared with other competitors who pay similar prices for grain.

The operation of cooperative line-elevator companies has not been generally adopted by farmers in the United States. The Cooperative Division has record of only a few such associations now operating. A typical cooperative line-elevator association is the Farmers Grain Co., Devils Lake, N. Dak. This association is now operating 18 elevators. The Farmers Union Grain Co., Aberdeen, S. Dak., operates several local elevators in the vicinity of Aberdeen. In Kansas, under the leadership of the Farmers Union, a number of line-elevator associations have been organized according to the county-unit plan. Under this plan farmers' elevators within a county are owned and operated by one organization of the line type, under a county manager. The general plan of organization and operation of the county unit is similar to that of the two larger organizations mentioned above.

THE WHEAT POOLS

Grain growers played an important part in the development of large-scale, centralized cooperative associations which were organized beginning about 1920. Although a number of attempts had been made to organize along similar lines, the first of the marketing associations which became known as "wheat pools" grew out of a Farmers Union meeting in the State of Washington in December 1919. As a result of this meeting the Washington Wheat Growers Association was incorporated in August 1920. A month later the Idaho Wheat Growers Association was formed. Four wheat pools were organized in 1921, 4 more in 1922, 2 in 1923, and 2 in 1924. The wheat pool movement reached its height during 1924-25, when the 10 pools then operating reported almost 28,000,000 bushels of grain handled for the season. During the 10 years of their operation, 1921 to 1930, the wheat pools handled in excess of 187,000,000 bushels of grain for their farmer-members. The wheat pool movement came to an end in the United States in 1930, when the pools still in operation became affiliated with the Farmers National Grain Corporation.

One of the important objectives of the wheat pools was to regulate the movement of grain to market in accordance with market demands and in this way exert a stabilizing influence upon prices. The wheat pools were nonstock, cooperative associations. The original contracts between the members and the association were for a 5-year

period without any option of withdrawal during that time. Many of the associations later modified their contracts, providing for withdrawal clauses. Members agreed to market all their grain through the pool during the term of the contract and the association agreed to sell the wheat for them. The association officials were given authority to decide the time, place, and conditions of sale. Attempts were made to sell direct to mills in this country and abroad wherever possible.

When the member delivered his grain to the pool, he received an advance payment on it equal to about two-thirds of the prevailing market price. Additional payments were made to members when sufficient grain had been sold to justify them. Final settlement was not made with members until all grain had been sold. When this had been done, members received the entire market value of the wheat, less the necessary operating expenses of the association. The original grain pools were on a seasonal basis, final payment on the crop delivered to be made after the close of the crop year. Members' returns were based on average prices received throughout the season for the grade of grain delivered. During the last few years of the wheat pools, the old idea of seasonal pooling was replaced by daily and optional pools.

Several factors may be said to have contributed to the discontinuance of the wheat pools. One of these was the difficulty of satisfying the member with respect to the price received for his grain. A large proportion of the grain moves out of the hands of producers a few months after harvest. On an advancing market the grower takes a lower price when he sells immediately than if his grain were held for him by the marketing organization, providing storage charges; interest and other expenses do not amount to or exceed the difference. On a declining market, it is to the advantage of the producer to sell as quickly as possible. Declines in grain prices after 1928 were a decided handicap to the pool movement. Prices continued to decline and freedom of the producer to select the time for selling his crop pressed for recognition rather than the idea of orderly marketing of the grain.

Another condition making for dissatisfaction among growers was the fact that they received only about two-thirds of the market price of their wheat at the time of delivery. Although additional payments were made throughout the season, it was usually some months before the member received final payment for the grain delivered. Because the members were scattered over a large area, it was difficult for the association to keep them advised of its operations and this caused many members to become dissatisfied with the operations of the pools.

COOPERATIVE TERMINAL SALES AGENCIES

As farmers' elevators increased in number, and met difficulties in selling through established agencies, the elevators found that they needed some kind of representation on terminal markets. Agitation for cooperative grain sales agencies began in the Minneapolis market area and in the Pacific Northwest in 1908. The Equity Cooperative Exchange, St. Paul, Minn., was organized in 1911. By 1920 the exchange owned a modern terminal elevator of 500,000 bushels capacity. It became the selling agent for many farmers' elevators located in North Dakota, South Dakota, and Minnesota. At one time this association operated almost 100 elevators. Among the causes contributing to the failure of the exchange was the decline in volume after the organization of the wheat pools. The exchange went into receivership in 1924.

The Montana Grain Growers, of Great Falls, Mont., was organized in 1918. In June 1919, 37 elevators had been established. The association operated for only 3 years, going out of business in 1921.

The Pacific Northwest Tri-State Terminal Co., Seattle, Wash., was incorporated on a capital-stock basis in 1911 as a selling agency to furnish terminal marketing service for grain. It acquired a controlling interest in about a score of local associations and the grain from these was to be marketed through the terminal company. With the formation of the Washington Wheat Growers Association in 1920, the terminal company lost much of its volume and ceased operation in 1921.

In 1914 the Farmers Cooperative Commission Co. of Hutchinson, Kans., was started as the Equity Commission Co. by 20 farmers' elevator associations. This sales agency is still conducting a successful business with offices at both Hutchinson and Wichita, Kans. In the same year, 1914, the Farmers Union Jobbing Association was organized as a wholesale and retail sales agency. In 1918 the association began handling grain on a commission basis. In 1916 the Equity Union Grain Co., first known as the Equity Union Exchange, was organized at Kansas City, Mo.

Following 1920 the number of regional marketing agencies for grain developed rather rapidly. By that time there were enough local grain cooperatives to cause attention to be centered upon the development of cooperative terminal sales agencies. Available records indicate that the number of sales agencies active in the various markets has increased from 5 during the 1919-20 season to 26 during the 1934-35 season (table 6).

Twenty-three of the 26 active regional grain-marketing agencies operating in 1935 were member agencies of Farmers National Grain Corporation. The majority of the 23 member agencies act as regionals, originating and receiving grain, with the Farmers National Grain

Corporation as their sales agency. The member agencies are free to avail themselves of the services of the national organization in selling their grain or to sell through private agencies. The three nonmember regionals, of course, operate independently.

TABLE 6.—NUMBER OF COOPERATIVE REGIONAL SALES AGENCIES MARKETING GRAIN, 1911-12 TO 1934-35

Crop year	Number of agencies	Crop year	Number of agencies	Crop year	Number of agencies
1911-12.....	2	1919-20.....	5	1927-28.....	15
1912-13.....	2	1920-21.....	6	1928-29.....	15
1913-14.....	2	1921-22.....	7	1929-30.....	20
1914-15.....	2	1922-23.....	8	1930-31.....	24
1915-16.....	3	1923-24.....	12	1931-32.....	25
1916-17.....	4	1924-25.....	10	1932-33.....	29
1917-18.....	4	1925-26.....	11	1933-34.....	27
1918-19.....	5	1926-27.....	13	1934-35.....	26

The cooperative terminal sales agencies handle grain for farmers' elevators, independent elevators, or for individual farmers. Many of the earlier cooperative sales agencies handled grain only on a commission basis. They were terminal grain associations doing a consignment business only. These agencies encountered an important handicap in transacting business on this basis. In line with general practices, many managers of local cooperative elevators sold only 40 to 60 percent of their grain on consignment. The rest was sold "to arrive" or "on track." Consequently the cooperative at the terminal that was not a buyer of grain was not in position to get more than 40 to 60 percent of the business of its own affiliates.

Either directly or indirectly through Farmers National Grain Corporation all regionals are now engaged in buying and selling grain as well as handling it on a commission basis. During the last 5 years the trend has been more and more toward buying and selling with a corresponding decrease in the volume handled on a commission basis.

When cooperative terminal agencies became buyers as well as sellers of grain, new problems arose for these associations. Since many of the cooperative terminal agencies at first had no storage space for grain on the terminal markets, they had to depend on selling cars of grain as fast as they arrived and on making sales of "to-arrive" grain. In addition to having to match sales against purchases and use rail-car storage, cooperative terminal agencies without terminal storage space were limited in their earnings to commissions on consignments and margins between purchases and sales of grain. Regionals have therefore increased their use of either owned or leased terminal elevator space. One of the larger regionals reports that almost 90 percent of its average gross income for the last 5 years has come from the purchase and sale of grain.

Regional grain sales agencies also act as agents for local cooperative elevators in the purchase of side-line supplies. A number of them also engage in membership work, supply auditing service, and otherwise aid locals in their various problems of organization and financing.

FARMERS NATIONAL GRAIN CORPORATION

The Farmers National Grain Corporation was established on October 29, 1929, by cooperative grain-marketing associations. For some years previous to 1929, various attempts had been made to establish a national sales agency for grain cooperatives. Leaders in the cooperative grain-marketing movement believed that such an agency would do much to coordinate the activities of cooperative agencies, minimize speculation, and enable growers through their own organizations to exert more influence on market prices and practices.

Farmers National Grain Corporation is authorized to issue 100,000 shares of stock of the par value of \$100 each, amounting to \$10,000,000. Only cooperative associations meeting the requirements of the Capper-Volstead Act, as amended, are eligible to subscribe for or hold stock in the corporation. The following 23 cooperative grain-marketing associations, commonly known as regionals, were stockholders in Farmers National in December 1935:

- Agricultural Corporation of Maryland, Baltimore, Md.
- American Wheat Growers Associated, Inc., Aberdeen, S. Dak.
- Colorado Grain Growers, Inc., Denver, Colo.
- Cooperative Grain Growers of California, Ltd., Berkeley, Calif.
- Equity Union Grain Co., Kansas City, Mo.
- Farmers Cooperative Commission Co., Hutchinson, Kans.
- Farmers Union Central Grain Cooperative, Inc., Bloomington, Ill.
- Farmers Union Jobbing Association, Kansas City, Mo.
- Farmers Union Terminal Association, St. Paul, Minn.
- Farmers Westcentral Grain Company, Omaha, Nebr.
- Illinois Grain Corporation, Chicago, Ill.
- Indiana Grain Producers, Inc., Indianapolis, Ind.
- Inter-Mountain Grain Growers, Inc., Ogden, Utah.
- Iowa Cooperative Grain Co., Humboldt, Iowa.
- Michigan Elevator Exchange, Lansing, Mich.
- Missouri Grain Growers, Inc., North Kansas City, Mo.
- North Pacific Grain Growers, Inc., Spokane, Wash.
- Northwest Grain Association, Minneapolis, Minn.
- Ohio Equity Exchange Co., Lima, Ohio.
- The Ohio Farmers Grain & Supply Association, Fostoria, Ohio.
- Oklahoma Grain Growers Association, Enid, Okla.
- Producers Grain Commission Co., St. Louis, Mo.
- Texas Wheat Growers Assn., Amarillo, Tex.

In the 6 years since its incorporation, nearly all the 23 regional stockholders have turned over their marketing functions to Farmers

National. This leaves the regionals the duty of originating grain business and handling membership relations with their affiliated member elevator associations, aided of course by the National.

Farmers National Grain Corporation's first contact with the grain is at the point of its country origin, in a transaction between Farmers National and the local cooperative elevator. The National has operating agreements with most of its regional stockholders under the terms of which the marketing steps are shortened and the central organization is authorized and instructed to deal directly with the member associations of each regional in the name of the regional.

In order to avail himself of the services of Farmers National Grain Corporation, a grain grower becomes a member of a local elevator Association which, in turn, is affiliated with a regional member of the National. Farmers National maintains for the convenience of affiliated elevators, bidding offices and other facilities reasonably close at hand (fig. 11). These offices make bids upon lots of grain which are offered by country elevators, and afford a nearby source of market information. As a result of this marketing contact, a considerable portion of the grain acquired is sold directly to the National by the local elevators. Where consignments are made by local associations to Farmers National in any market, the grain is either purchased by Farmers National or sold to others, according to the wish of the consignor or the stringency of the rules of the particular exchange.

Purchases by Farmers National are usually made on track, subject to terminal weights and grades. For cross-country shipments, loading weights and grades are often accepted. In addition to on-track bids and consignments, the National has arrangements with nearly 600 local cooperative elevators which it is aiding financially. Under the terms of these contracts, the National submits bids to the local elevator each day or from time to time during the market day, stating the price the National is willing to pay for given kinds and grades of grain. The elevator is authorized, under the terms of the contract, to draw drafts upon the National for settlement with growers at any price agreed upon between the elevator and the grower, not in excess of the bid price. The elevator then becomes responsible for delivery to the National of the weights and grades of grain reported purchased and for which drafts have been issued. At the end of each month the National remits to the elevator the earnings on its purchased grain; that is, the difference between the bid price at the time the grain was purchased from the producer and the price at which the elevator made the purchase from him.

The National maintains a hedged position at all times, as a matter of policy. In hedging its open position, it gives attention to the location of grain only to determine which is the most advantageous market on which to execute the hedge.

The Farmers National Grain Corporation owns all the stock of Farmers National Warehouse Corporation, a subsidiary formed in 1931. This subsidiary operates terminal elevators in a number of the important grain markets of the United States. By owning and controlling these facilities, the National is able to return to its regional stockholders the earnings derived from terminal elevator operations; that is, from cleaning, storing, mixing, blending, and otherwise processing the grain received. In June 1935, the National controlled a total



FIGURE 11.—FARMERS NATIONAL GRAIN CORPORATION ELEVATOR AT AMARILLO, TEX.

This elevator has a storage capacity of 2,000,000 bushels of grain.

terminal elevator capacity of about 40,000,000 bushels, nearly 18,000,000 bushels of which represented owned facilities and about 22,000,000 bushels leased facilities. The organization attempts to provide necessary storage space in large plants, well distributed.

The National, through the above-mentioned warehouse subsidiary, has also owned and operated a number of country elevators. In 1933, however, a policy was adopted of localizing the ownership of country facilities. In disposing of these locals, terms of sale were arranged so as to encourage their purchase by local cooperative elevator associations. Of the 391 country facilities owned by the Farmers National Warehouse Corporation in 1933, 211 had been sold up to June 30, 1935.

In addition to wheat, Farmers National Grain Corporation handles corn, oats, rye, barley, and flax. The association also maintains a seed and bean division, and provides facilities for handling the field seed crops of producers in the main producing sections.

One of the important problems of Farmers National is the fact that the membership is so wide-spread that the organization has difficulty in keeping members informed regarding its activities. In addition to the educational work being done by the regional stockholders and the local cooperative elevators, the association has recently undertaken the publication of a semimonthly periodical in order to supply essential information regarding its operations to its regional and branch offices, as well as the producers of grain throughout the country.

ACCOMPLISHMENTS AND PROBLEMS OF GRAIN COOPERATIVES

Estimates indicate that farmers' cooperative elevators have handled in recent years about one-third of the grain moving into market channels. In turn, around one-third of the grain marketed by local cooperative elevators has been handled by cooperative regional marketing agencies. The Farmers National Grain Corporation has handled from 50 to 60 percent of the grain marketed by regional sales agencies, the rest going direct to mills or other independent agencies.

Local cooperative elevators have been an important factor in narrowing grain-handling margins at local stations. They have given the farmer representation among the local buyers of his grain and, where successful, as many have been, they have returned profits above cost of operation to the producers in proportion to patronage.

The terminal sales agencies have likewise handled volume enough to have some influence on the spread between prices of cash grain and futures, especially during times of heavy movement of grain. One typical successful terminal sales agency returned to its 60 patron elevators savings of approximately \$1,000 each for the 1934-35 marketing season, each elevator receiving a share proportionate to its patronage. These terminal sales agencies have also had an influence on reflecting back to growers the premium on better milling-quality types of wheat. They have paid back to the local cooperatives and through them to the growers profits made on storage, mixing, and cleaning operations.

Although much progress has been made by grain cooperatives during the past 80 years, many problems remain to be solved by these agencies and vigilance must be exercised to preserve the benefits already gained. Many opportunities remain for improvements in the cooperative plan of marketing grain. One of the most important problems is the establishment of locals on a strong financial basis so as to warrant the continued support of farmers and a better working relationship between the various grain cooperatives. A considerable number of cooperative elevators now in existence would

benefit from financial reorganization and financial guidance. Many of them neglect the training of apprentices or understudies and depend for success largely on one man's ability and personality. Another important problem is how the various cooperatives at the several stages in marketing grain can be of the most service to each other in doing certain things in connection with the sale of grain and in maintaining the ground already gained.

Approximately 44 percent of farmers' cooperative elevators in the United States are in the seven States, North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, Montana, and Colorado. As a result of severe drought in large areas in these States during 1933, 1934, and 1935, many cooperative elevators found it difficult to get sufficient grain to meet even reduced expenses. This problem, along with the increased competition for grain which it brings, is compelling increased attention to the possibilities of handling sidelines. It is necessary for cooperative elevators to adjust their operations to shifts in grain production, as well as other problems which arise from time to time. In important feed-grain areas, one of the problems facing local elevators is the increased movement of grain by truck from producers direct to feeders. Some cooperatives are meeting this situation in part at least by operating their own trucks.

The development of regional agencies, with trained personnel and clear-cut analysis of the services to be performed for their member elevators, needs much attention. There is much these agencies can do through various channels to keep their affiliated locals in healthy financial condition and in position to serve their local farmers. The experience of one regional sales agency with 22 identical elevators over a 3-year period illustrates how this problem can be successfully handled. In 1930 the 22 elevators marketed 48 percent of their grain through the cooperative sales agency. With the inauguration of a service and educational program in 1931, these same elevators sent 65 percent of their grain to the cooperative sales agency. In 1932 the amount sent to the sales agency had been increased to 74 percent. In spite of such efforts, short crops of late years have encouraged mills to buy more grain directly from country elevators and farmers.

The operations of Farmers National Grain Corporation, including those of the affiliated regional and local associations, have been carried on during 5 years of the most adverse conditions for profitable grain handling. The crop year 1930-31 was one of declining prices, followed by a year of extremely low prices. Prices improved somewhat in 1932-33 and have been maintained at relatively high levels since that time. Because of low wheat production during the 3 years 1933-34 to 1935-36, grain cooperatives have been handicapped in obtaining volume.

FARMERS' LIVESTOCK-MARKETING ORGANIZATIONS

PROBABLY the earliest form of cooperative effort among livestock men of this country was the importation of breeding stock. Societies for agricultural improvement were formed as early as 1785. These societies confined their activities largely to breed improvement rather than to marketing.

Before the coming of the railroad, stockmen frequently worked together in driving livestock to distant markets. As early as 1794 stock was driven from various points in Virginia and the Carolinas to the eastern coast. In 1820 a group of Welsh settlers near Granville, Ohio, organized the Licking Exporting Co.¹¹ Hogs were driven to Sandusky, where they were slaughtered and packed and the pork shipped to Montreal by boat. In 1836 a sale was held in Ohio, which is reported to have been the first public sale of purebred cattle in the United States.

Beginning in the early seventies, producers in various sections of the country became actively interested in the cooperative shipping of livestock. The Goodlettsville Lamb & Wool Club of Goodlettsville, Tenn., formed in 1877 for the purpose of selling cooperatively, was still operating in 1935. The marketing of livestock through cooperative channels began in earnest about 50 years ago with the development of local shipping associations.

LOCAL SHIPPING ASSOCIATIONS

The Farmers Shipping Association of Superior, Nebr., is the first livestock shipping organization of which there is any definite record. This association, consisting of Kansas and Nebraska farmers, was formed in 1883 and has been in continuous operation ever since. While for many years after the organization of this cooperative, it was common practice for farmers in a community to consolidate their livestock offerings to make up carload shipments, records show that it was not until 1904 that the second cooperative livestock shipping association was organized, at Postville, Iowa.

The growth of the movement during the 10 years 1904-14 was limited largely to the dairy regions of Minnesota, Wisconsin, and Iowa. Most of this development was promoted by such organizations as the American Society of Equity and the State organizations of the Farmers Educational and Cooperative Union of America. In

¹¹ Lloyd, W. A.; Falconer, J. I.; and Thorne, C. E., the agriculture of Ohio. Ohio Agr. Expt. Sta. Bull. 326, 442 pp., illus. 1918. See p. 63.

1916 it was estimated that there were some 500 farmers' organizations shipping livestock cooperatively, centered in the North Central States. By this time the movement had attained such proportions that an attempt was made by the United States Department of Agriculture, which had created the Office of Markets and Rural Organization in 1914, to aid farmers in the organization and management of such agencies. Various State agricultural colleges, through their extension forces, also began to take an active interest in these associations.

The years 1917 to 1923 marked the period of maximum growth in the local shipping-association movement. At the peak it was estimated that close to 5,000 associations were shipping livestock cooperatively. The majority of these were located in the Corn Belt, especially in the dairy farming sections of Minnesota and Wisconsin, in Ohio, and in Michigan.

The original shipping associations were local and were planned to serve only the farmers surrounding a loading point. The duties of the manager of such an association were largely the assembling and loading of the patrons' livestock and its consignment to a commission firm on a terminal market. The commission firm did the selling, sorting, grading, and prorating, and, in some instances, even went so far as to make out separate bills and checks for each individual shipper in the consignment. Then the local manager had only to mail the checks and the account sales to his patrons.

A later development was the county shipping association. These were of two kinds: (1) A county federation of several small shipping associations, and (2) a large assembling-point yard for the county as a whole. In the first type the livestock was loaded at each of the local association points, but the county manager received all the returns, and in many instances prorated the bills and sent the checks to the individual owners. The second type was developed largely in Ohio. From this development came the cooperative concentration yard and the first real attempt toward a local sales organization.

Since 1925 there has been a decline in both number of associations and volume of business handled by shipping associations. According to official records, there were in 1934 slightly more than 1,000 local cooperative shipping associations remaining out of an estimated peak total of nearly 5,000. Some reasons for the decline in the number of cooperative shipping associations may be stated as follows:

1. During the period of enthusiastic organization, too many small shipping associations were set up. The resultant lack of volume, together with inexperienced management, caused many of these associations to be unsuccessful.
2. With the construction of hard-surfaced highways and the increased use of motor trucks, a much higher percentage of livestock is now being trucked direct from the farm to packers and to local and

central markets. In 1934 truck receipts of cattle at 62 markets approximated 36 percent of the total receipts of cattle. About 44 percent of the calves arrived by truck, 58 percent of the hogs, and 22 percent of the sheep.

3. The increase in direct buying, both by local packers and by national packers, during recent years, has been largely responsible for the discontinuance of a number of shipping associations in such States as Iowa, South Dakota, and Illinois.

4. In several States some of the small shipping associations have been consolidated into larger and stronger associations that serve a wider territory. This has tended to decrease the number of associations, but in some instances has increased the volume of business handled, because of improved services and more frequent shipping.

The local shipping association may be given credit for reducing the cost of marketing by narrowing the spread between prices at local points and at terminal markets. It was also of service in familiarizing producers with the differences in market values of different grades and weights of livestock. For the most part, however, the local was simply an assembling and loading association. It failed to exert any bargaining influence upon the terminal market, as the business was scattered among dozens of private commission firms. Little or no attempt was made to develop either an orderly or a selective marketing system.

COOPERATIVE SALES AGENCIES

With the knowledge gained from operating local associations, producers saw greater possibilities in the establishment and operation of their own terminal sales agencies and some farmers undertook to organize cooperative marketing agencies at the central markets.

The American Livestock Commission Co., which began business in May 1889, was the first livestock sales agency to operate on a terminal market. Cooperative commission firms were established by this company on the Chicago, Kansas City, St. Louis, and Omaha markets. For the year ending December 1, 1890, the company handled at the four markets 327,884 head of livestock, which was sold for more than \$2,500,000. Due to the difficulty which the company had in maintaining a membership in the Livestock Exchange at Chicago, it was impossible to operate successfully on that market, so the company discontinued business there. Soon afterward, the agencies at the other markets ceased operation.

The establishment of the Cooperative Livestock Commission Co. was the second attempt of livestock producers to operate their own sales agencies. It began business at the Chicago, Kansas City, and South St. Joseph markets in September 1906. Within a few months after the cooperative was started, it showed a saving over all expenses. However, the company became the subject of attack by opposing

interests to the extent that their outlets, particularly for stocker and feeder cattle, were seriously impaired. This discrimination resulted in declining business and financial losses. The Chicago branch, the last to close, ceased operation on December 31, 1909.

In 1917 the Farmers Union of Nebraska was successful in establishing and maintaining a cooperative commission agency on the Omaha market. This was the first of the present livestock commission

TABLE 7.—LIVESTOCK HANDLED BY COOPERATIVE LIVESTOCK MARKETING AGENCIES FOR THE 10-YEAR PERIOD 1925-34 ¹

Year	Agencies operating	Livestock handled ²	Value of livestock handled
	Number	Head	Dollars
1925.....	31	11, 255, 532	283, 132, 513
1926.....	30	11, 105, 215	298, 872, 202
1927.....	31	11, 347, 690	281, 826, 807
1928.....	31	12, 968, 036	297, 658, 262
1929.....	31	13, 542, 439	326, 442, 318
1930.....	33	13, 784, 416	291, 104, 920
1931.....	40	14, 605, 672	208, 892, 843
1932.....	46	14, 160, 772	141, 252, 326
1933.....	49	15, 497, 019	149, 386, 672
1934.....	51	13, 576, 769	153, 094, 232
Total.....		131, 843, 560	2, 431, 663, 095

¹ As here used, an agency means a complete operating unit. Some associations maintain agencies on more than 1 market. Several large-scale associations operate primarily in the country.

² Livestock handled by more than 1 agency is counted only once.

associations. In 1920 four terminal cooperatives marketed approximately 750,000 head of livestock. Beginning with 1922 steady progress was made in establishing cooperative sales agencies at terminal markets. In 1934 there were 51 producer-owned agencies which together handled over 13,500,000 head of cattle, hogs, and sheep. The total annual business of these agencies from 1925 to 1934, as reported to the Cooperative Division by the associations, is shown in table 7. The name, location, and year of organization of the large-scale cooperative livestock marketing associations appear in table 8.

Each of the large cooperative commission agencies at the central markets has a yard department, an office department and sometimes a field department for the conduct of its business. The yard department has three main divisions, one each for cattle, hogs, and sheep, with salesmen and yardmen for each of these divisions. The salesmen are responsible for the selling of the stock shipped in (fig. 12); the yardmen for the yarding, feeding, watering, and weighing of the stock. The office department has three main divisions, publicity, accounting, and transportation, each of which performs the functions naturally allotted to it. The field workers help to get business for the organization and do general service work for livestock producers.

TABLE 8.—LARGE-SCALE COOPERATIVE LIVESTOCK-MARKETING ASSOCIATIONS, LOCATION AND YEAR OF ORGANIZATION¹

Association	Address	Year operations began
Eastern Livestock Cooperative Marketing Association, Inc. ²	Baltimore, Md.....	1931
Producers Cooperative Commission Association, Inc.	Buffalo, N. Y.....	1922
Chicago Producers Commission Association.	Chicago, Ill.....	1933
Farmers Union Livestock Commission.....	Chicago, Ill.....	1922
Illinois Livestock Marketing Association.....	Chicago, Ill.....	1931
Producers Cooperative Commission Association. ³	Cincinnati, Ohio.....	1925
Producers Cooperative Commission Association. ³	Cleveland, Ohio.....	1923
National Order Buying Co. ⁴	Columbus, Ohio.....	1924
Producers Cooperative Commission Association.	Columbus, Ohio.....	1929
Farmers Union Livestock Commission, Inc.	Denver, Colo.....	1919
Intermountain Livestock Marketing Association.	Denver, Colo.....	1930
Iowa Livestock Marketing Corporation.....	Des Moines, Iowa.....	1930
Michigan Livestock Exchange.....	Detroit, Mich.....	1922
Farmers Livestock Commission Co.....	East St. Louis, Ill.....	1921
Producers Livestock Commission Association.	East St. Louis, Ill.....	1922
Evansville Producers Commission Association.	Evansville, Ind.....	1923
Texas Livestock Marketing Association.....	Fort Worth, Tex.....	1930
California Farm Bureau Marketing Association.	Hanford, Calif.....	1918
Producers Commission Association.....	Indianapolis, Ind.....	1922
Farmers Union Livestock Commission Co.....	Kansas City, Mo.....	1918
Producers Commission Association.....	Kansas City, Mo.....	1923
Producers Livestock Marketing Association.	Louisville, Ky.....	1931
Equity Cooperative Livestock Sales Association, Inc.	Milwaukee, Wis.....	1922
Livestock Producers Association, Inc. ⁵	Montgomery, Ala.....	1929
Producers Livestock Association.....	Muncie, Ind.....	1925
Tennessee Producers Livestock Marketing Association.	Nashville, Tenn.....	1932
Farmers Union Livestock Commission Co.....	Ogden, Utah.....	1931
Oklahoma Livestock Marketing Association.	Oklahoma City, Okla.....	1931
Farmers Union Livestock Commission Co.....	Omaha, Nebr.....	1917
Peoria Producers Commission Association.....	Peoria, Ill.....	1922

See footnotes at end of table.

TABLE 8.—LARGE-SCALE COOPERATIVE LIVESTOCK-MARKETING ASSOCIATIONS, LOCATION AND YEAR OF ORGANIZATION—Continued

Association	Address	Year operations began
Producers Cooperative Commission Association. ⁴	Pittsburgh, Pa.....	1923
Farmers Union Livestock Commission.....	St. Joseph, Mo.....	1917
Producers Livestock Marketing Association.	St. Joseph, Mo.....	1931
Central Cooperative Association.....	South St. Paul, Minn....	1921
Farmers Union Livestock Commission Co.....	South St. Paul, Minn....	1922
Interstate Livestock Cooperative Association.	South St. Paul, Minn....	1931
Peoples Cooperative Sales Agency, Inc.....	South St. Paul, Minn....	1923
Pacific States Livestock Marketing Association. ⁵	San Francisco, Calif.....	1925
Farmers Union Livestock Commission.....	Sioux City, Iowa.....	1918
Producers Commission Association.....	Sioux City, Iowa.....	1923
Progressive Farmers Cooperative Commission.	Sioux City, Iowa.....	1933
Farmers Union Livestock Commission.....	Sioux Falls, S. Dak.....	1929
Producers Livestock Commission Co.....	Springfield, Ill.....	1920
Farmers Livestock Commission Co. ⁷	Springfield, Mo.....	1926
Farmers Union Livestock Commission Co.	Wichita, Kans.....	1923

¹In addition to the associations listed, several operated for short periods.

²Operates on Baltimore, Md.; Lancaster, Pa.; and Jersey City, N. J., markets.

³Superseded by Producers Cooperative Commission Association, Columbus, October 1934.

⁴Organized as the Eastern States Co. in 1923; reorganized 1929 as National Order Buying Co.; reorganized in 1934 as the Eastern Order Co., a subsidiary of the Producers Cooperative Commission Association with headquarters at Columbus, Ohio.

⁵Superseded the Alabama Farm Bureau Cooperative Commission firm, Apr. 15, 1933.

⁶Superseded Western Cattle Marketing Association (1925-34) and the Western Livestock Marketing Association (1932-34), April 1934.

⁷Business started under name of Missouri Farmers Association Livestock Commission.

Membership in the livestock cooperatives is open to all farmers and ranchmen producing or feeding livestock. Membership provisions vary among cooperatives. Some agencies require a producer who desires to become a member to file a written application for membership. The applicant is then issued a certificate of membership. In other cases, purchase of capital stock is evidence of membership. In still other associations provision is made for growers to become members upon receipt of payment for livestock shipped through the organization. A number of the livestock cooperatives have membership agreements with their members. Distribution of savings on a patronage basis is made only to members.



FIGURE 12.—COOPERATIVE SALESMAN AND BUYER TRADING ON A PEN OF "MARKET TOPPERS." 1.

This view was taken in the alley of the Central Cooperative Association, South St. Paul, Minn.

IMPROVEMENTS IN MARKETING SERVICE

The livestock cooperative sales agencies have performed a number of important services for livestock producers. They have given stockmen effective representation on terminal price-registering markets. They have improved business methods used in the marketing of livestock and provided at cost a complete, efficient, and economical sales service. Due to their large volume of business, cooperatives have been able to employ competent and experienced salesmen specializing in the selling of every class of livestock. Thus they are in a position to bargain with the highly trained packer and order buyers. Through improved bargaining power and selling on the basis of grade, unnecessary speculation has been curtailed and the true market value of livestock reflected in prices to producers.

Besides rendering a sales service, the cooperatives also purchase many thousands of carloads of stocker and feeder cattle, sheep, and hogs for their members and patrons either on the central markets or

direct from the range. The agencies have trained order buyers to perform this service.

At several markets the cooperatives have been instrumental in obtaining more adequate operating facilities, such as unloading chutes, scales, and other yard equipment.

Cooperative livestock marketing associations have saved for their members large amounts of money, in lowered commissions and in patronage dividends. The fact that they were able to make such substantial cash savings paved the way for general reductions in commission rates at numerous markets, resulting in savings to all shippers of many thousands of dollars each year.

As a part of their regular service and without extra cost to the individual producer, transportation and claim departments of cooperatives have collected substantial sums of money for their patrons and have represented producers in freight-rate hearings.

Livestock cooperatives have helped to develop and have actively supported standard grades for livestock. By radio, letters, and through the press, the cooperatives offer producers a reliable and unbiased market news service.

Through credit corporations, loans at reasonable rates of interest have been made available to livestock producers and feeders, for carrying on their feeding and grazing operations.

Through pooling and sales methods, outside buying competition has been stimulated and increased prices obtained for odd lots of livestock.

THE NATIONAL LIVE STOCK MARKETING ASSOCIATION

With assistance provided under the Agricultural Marketing Act, a number of representatives of livestock cooperative sales agencies and the leading farm organizations established in 1930 the National Live Stock Marketing Association. The organization was incorporated on May 12, 1930, and began operation on July 14 of that year with the following associations as members:

- Producers Livestock Commission Association, East St. Louis, Ill.
- Producers Commission Association, Indianapolis, Ind.
- Chicago Producers Commission Association, Chicago, Ill.
- Producers Cooperative Commission Association, Inc., East Buffalo, N. Y.
- Peoria Producers Commission Association, Peoria, Ill.
- Producers Commission Association, Kansas City, Mo.
- Producers Cooperative Commission Association, Cleveland, Ohio.¹²
- Evansville Producers Commission Association, Evansville, Ind.
- Producers Cooperative Commission Association, Pittsburgh, Pa.

¹² The Producers Cooperative Commission Association, of Cleveland, Ohio, and the Producers Cooperative Commission Association, of Pittsburgh, Pa., were consolidated, in 1934, to form the Producers Cooperative Commission Association with headquarters at Columbus, Ohio.

Producers Commission Association, Sioux City, Iowa.
 Producers Cooperative Commission Association, Cincinnati, Ohio.
 The Michigan Live Stock Exchange, Detroit, Mich.
 Western Cattle Marketing Association, San Francisco, Calif.¹³
 National Order Buying Co., Columbus, Ohio (see table 8).
 Texas Livestock Marketing Association, Fort Worth, Tex.

Since the organization of the National Live Stock Marketing Association, the following 10 additional agencies have become members:

Producers Livestock Commission Company, Springfield, Ill.
 Intermountain Livestock Marketing Association, Denver, Colo.
 Iowa Live Stock Marketing Corporation, Des Moines, Iowa.
 Farmers Union Livestock Commission Co., St. Paul, Minn.¹⁴
 Producers Livestock Marketing Association, St. Joseph, Mo.
 Oklahoma Live Stock Marketing Association, Oklahoma City, Okla.
 Producers Live Stock Marketing Association, Louisville, Ky.
 Eastern Livestock Cooperative Marketing Association, Inc., Baltimore, Md.
 Illinois Livestock Marketing Association, Chicago, Ill.
 Producers Livestock Marketing Association, Salt Lake City, Utah.

The National Live Stock Marketing Association is a capital-stock cooperative owned by its 22 stockholder and member agencies. These agencies own stock in the national association in proportion to their volume of business handled. On August 31, 1935, there was \$147,290 worth of capital stock issued and outstanding. Besides the capital-stock tie, a contractual relationship exists between the National and its stockholders.

At the time of organization of the National Live Stock Marketing Association two subsidiary companies were set up: the National Feeder & Finance Corporation and the National Livestock Publishing Association. The National Feeder & Finance Corporation owns the common stock of the following six regional credit corporations:

National Livestock Credit Corporation of St. Louis, Chicago, Ill.
 Intermountain Livestock Credit Corporation, Denver, Colo.
 National Finance Credit Corporation of Texas, Fort Worth, Tex.
 Wasatch Livestock Loan Company, Salt Lake City, Utah.
 Tri-State Livestock Credit Corporation, San Francisco, Calif.
 National Livestock Credit Corporation, Oklahoma City, Okla.

These credit corporations were capitalized with funds obtained through the sale of preferred stock to individual farmers and ranchmen and by loans from Federal agencies. The six credit corporations had a total paid-in capital of \$2,864,475 on September 30, 1935.

¹³ The name of this association was changed, in 1934, to Pacific States Livestock Marketing Association.

¹⁴ Farmers Union Livestock Commission Company, of St. Paul, Minn., withdrew its membership in the National in September 1935.

With the exception of the National Live Stock Credit Corporation at Chicago, which was set up in 1924 at East St. Louis, and the Wasatch Livestock Loan Co. at Salt Lake City, Utah, the remaining four credit corporations were organized in the period from 1930 to 1932. These agencies, since they began operations, have lent approximately \$100,000,000 to livestock farmers and ranchmen and at the close of August 1935 had outstanding in loans \$17,074,935.

Besides the financing service, the National Live Stock Marketing Association has expanded its functions in numerous ways. Its research department has been developed and circulates bimonthly reports on current and prospective supply and demand conditions among producers, member associations, agricultural colleges, extension workers, and vocational agricultural teachers. This information is proving valuable to those who receive it.

The National Live Stock Marketing Association, in cooperation with other livestock agencies, has represented livestock producers before Federal agencies on matters of common interest, such as freight rates and other transportation problems.

It has cooperated with the United States Department of Agriculture and with packers in establishing practical and uniform grades of hogs. It has also cooperated with other branches of the trade in promoting the demand for meat and in solving other problems confronting the livestock and meat industries.

From the beginning of operations, in 1930, through 1934, the National Live Stock Marketing Association has handled, through its stockholder members, 40,920,408 head of cattle, calves, hogs, and sheep, valued at \$514,539,258.

MOVEMENT OF FEEDER CATTLE AND LAMBS

Some western cooperatives have pioneered in the development of range-to-feed-lot service, thus reducing unnecessary speculative and transportation costs to both growers and feeders. Member agencies of the National handled in 1934 over 350,000 head of cattle, lambs, and sheep in this direct movement from grower to feeder.

In actual practice in the handling of the stocker-and-feeder cattle and lamb business direct from the range to the Corn Belt, the feeder gives his purchase order to a Corn Belt cooperative, such as the Iowa Live Stock Marketing Corporation, at Des Moines, Iowa; the Producers Live Stock Commission Association, at East St. Louis; or the Producers Commission Association, at Kansas City, Mo. The grower in the range area lists his animals for sale with one of the cooperatives in that section, such as the Texas Livestock Marketing Association, at Fort Worth, or the Intermountain Livestock Marketing Association, at Denver. These agencies sell the listed stock to the Corn Belt cooperatives who have the purchase

orders of the feeders. With a sufficient volume of such orders, it is possible to purchase from the range cooperatives large lots of cattle and lambs, including all of the salable stock from large range operators—often several thousand head. (See fig. 13.)

Where the grower in the West and the feeder in the East desire to enter into a partnership in the feeding and handling of the animals, an arrangement is worked out under the terms of a breeder-feeder contract, the cooperative associations in the Corn Belt supervising the feeding. This type of marketing requires very little financing. The grower supplies the livestock and the title remains with him,



FIGURE 13.—SORTING FEEDER LAMBS.

Hundreds of lambs were selected at this Wyoming loading point for shipment to cooperative associations in the Corn Belt.

the farmer supplies the feed and labor, and the cooperative advances the freight from the range to the Corn Belt. When the livestock is finished and marketed, the returns are apportioned according to the terms of the contract.

SELLING DIRECT TO PACKERS

With the growth in the number and importance of local markets and direct-buying stations throughout the Corn Belt, cooperatives have considered the extension of their services in hog marketing to include direct sales to packers from country points, as well as consignments to the terminal markets. This plan involves centralized selling of hogs through cooperative channels, but decentralizes the handling.

The Illinois Livestock Marketing Association has given special attention to this problem. It maintains a central sales office at Decatur, Ill., and sells livestock from seven concentration points located at Decatur, Macomb, Shelbyville, Galesburg, Bloomington,

Danville, and Paris. In 1934 this agency handled 168,026 head of cattle, hogs, and sheep. Of this number 84,516 head were sold through the member-agencies of the National and 83,510 head direct to packers and other buyers.

Direct marketing of cattle on the Pacific coast has been carried on since April 1925 by the Pacific States Livestock Marketing Association, of San Francisco, Calif., formerly the Western Cattle Marketing Association. This association serves ranchmen in the States of California, Oregon, Nevada, and Arizona with direct-to-packer and feeder types of marketing service.

COOPERATION AMONG POULTRY AND EGG PRODUCERS

SOME poultry is kept on practically every farm in the United States. About two-thirds of the farm flocks, however, consist of less than 200 fowls. Most farmers regard poultry production as a side line which merits comparatively little emphasis. Poultry and eggs not consumed on the farm are usually sold for cash to local egg and produce buyers or exchanged for groceries and other household supplies at the stores in nearby towns. Under such conditions the volume of poultry products available in any one area is usually too small and too irregular to support a cooperative association and the production practices are generally not conducive to high-quality products. These factors tend to limit the field of successful cooperative effort in the marketing of poultry products to the more specialized areas of poultry production.

The cooperative marketing of poultry and eggs did not get under way as early as was the case with a number of other commodities. There is record of an isolated attempt to establish a poultry and produce exchange by the Illinois State Grange, Patrons of Husbandry, in Chicago in 1874. This venture, however, was short-lived and it was more than 25 years before another attempt at cooperative marketing was made by poultry producers. In 1901 the Santa Rosa Poultry and Egg Exchange of Santa Rosa, Calif., was organized. This association had from 200 to 300 members and operated for 22 years. Besides marketing poultry and eggs, the exchange bought hay, grain, mill feeds, and other supplies for farmers. A few other efforts to establish cooperatives of this type were made in New Jersey, New York, Minnesota, Wisconsin, and Oregon from 1905 to 1914.

In 1913 the community egg circles began to appear in the United States. These were informal, local associations of egg producers organized for the purpose of marketing eggs. Each local association operated independently. Some of these egg circles attempted some form of grading. Although egg buyers occasionally paid these circles a cent or two more per dozen because the eggs were purchased in larger lots, the benefits to members were not entirely satisfactory. Fluctuation in the volume handled was, no doubt, a serious handicap, as well as the informal nature of the organizations. During the 10 years following their appearance, numbers of these egg circles were formed in many States but the popularity of this plan of egg marketing was of short duration.

demand, based chiefly on uniform, high-quality products, available to buyers in large and dependable quantities.

Although previous attempts had been made in 1905, 1909, and 1914 to form a cooperative association for marketing poultry and eggs in the territory tributary to San Francisco, the present association, the Poultry Producers of Central California, did not begin business until January 1, 1917. The association was reincorporated in 1923. Its capital is represented by a revolving fund instead of capital stock. Contracts with members run for 15 years and provide for withdrawal at stated intervals, provided proper notice has been given. Each member has one vote and an additional vote for each 1,000 dozen eggs delivered to the association during the previous year.

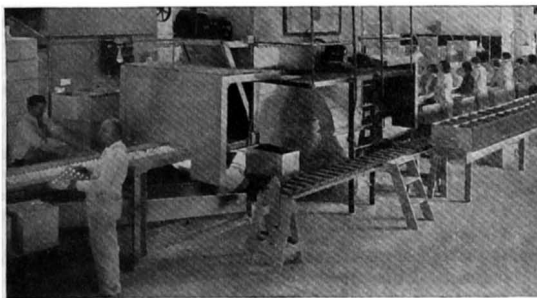


FIGURE 14.—CLEANING EGGS BY THE SAND-BLAST PROCESS.

Many progressive practices have been initiated by the cooperatives marketing poultry and eggs. This sanding machine is in the Petaluma plant of the Poultry Producers of Central California.

In the beginning the association engaged only in the marketing of eggs. The handling of poultry and the purchase of feed for members were undertaken in 1926. In 1934 the association handled 1,056,766 cases of eggs, 1,471,123 pounds of egg meat, and 101,030 tons of feed and poultry supplies, amounting in total to \$10,628,418. The association had 4,868 members at the close of 1935. Members' equities in their association amounted to more than \$2,285,000 as of January 2, 1935.

This association markets the bulk of its eggs locally to retailers. Eggs which cannot be sold locally are shipped east either in carload lots or by water, to be sold by the Pacific Egg Producers Cooperative, Inc., of which the association is a member. The association operates 12 packing plants equipped for packing, candling, and shipping eggs. These plants also handle feed supplies and, in addition, there are

Experience gained from these early efforts and the minor benefits derived therefrom, together with unsatisfactory market outlets, encouraged producers in certain areas to continue their attempts to improve the methods of marketing poultry and eggs. Differences in production practices, as well as marketing problems of poultry and egg producers in different areas of the United States, have resulted in differences in the types of cooperative associations developed to meet these problems. Perhaps a better understanding of this phase of cooperative endeavor can be obtained by discussing separately the development and extent in the three areas—Western, Midwestern, and Northeastern.

WESTERN POULTRY AND EGG COOPERATIVES

Cooperative organizations handling poultry products seem to offer opportunities particularly to those specialized poultry producers who are distant from consuming centers and who desire a reliable outlet for their products with payment on the basis of quality. Such conditions are prevalent in many areas on the Pacific coast and in some other western areas. The West is an area of heavy surplus production and one where intensive commercial production has reached its greatest development. These two factors, together with the great distance from the large eastern markets, have made conditions especially favorable for the development and successful operation of large cooperatives. As a result, many of the largest and most successful poultry and egg marketing cooperatives have been formed in California, Washington, Oregon, Utah, and Idaho. Some have confined their efforts to the marketing of eggs, while others handle in addition live and dressed poultry and purchase feed and supplies for their members.

The large cooperative egg and poultry associations in the West are owned and controlled by the producer members and handle products on a pool basis. They may be stock or nonstock associations. Most of the associations have marketing agreements with their members. Products are graded and pooled according to quality and packed in modern plants operated by the associations. Many progressive practices have been initiated on an extensive scale by these associations; for example, the oil treatment of eggshells to improve keeping quality and the cleaning of dirty eggs by a sand-blast process (fig. 14). Returns are made to the producers according to grade. A conservative advance is customary at the time products are delivered, the remainder being remitted when the produce has been sold. Some associations, however, defer all payments for a definite time or until the sales value has been determined. The associations merchandise the products carefully by developing trade outlets and by creating a

about 38 other local supply depots throughout the area in which the association operates.

Beginning in 1917 with 150 members, the Washington Cooperative Egg & Poultry Association, Seattle, Wash., has developed into one of the largest and most successful associations of poultry producers in the United States. It now has a membership of over 17,700 and in 1935 did a volume of business of \$16,331,000. Of this amount nearly \$10,174,000 represented sales of poultry products and \$6,157,000 purchases of feed and supplies, the most important of which was poultry feed.

The association has an authorized capitalization of \$4,000,000 divided equally between common and preferred stock. On December 31, 1935, there was outstanding common stock at a value of \$1,516,125 and preferred stock with a value of \$1,304,817. On December 31, 1935, the association had \$1,005,302 in reserves. All of the common stock and most of the preferred stock is in the hands of producer-members. Only common stockholders have the right to vote and voting is on the basis of 1 member, 1 vote.

A considerable portion of the eggs received by the association is sold in the East through the Pacific Egg Producers Cooperative, Inc. (p. 76). The Washington Cooperative Egg and Poultry Association operates 28 branch stations through which poultry and poultry products are assembled and feed distributed. Practically all of the branch stations handle feeds and nine mills for the manufacture of feed are operated. The association operates about 120 trucks for collecting eggs and poultry from farms and delivering feed. Such a combination of services has enabled the association to render both the collection and delivery services at very reasonable rates.

The Pacific Cooperative Poultry Producers, Inc., at Portland, Oreg., was incorporated in April 1922. The association is now organized without capital stock and each member is entitled to one vote. In March 1935 the association had 1,139 members. No business is transacted with nonmembers and membership is limited to persons engaged in the poultry business. The marketing agreement provides for withdrawal at a stated period during each year.

The principal business consists in marketing eggs but a feed department is also maintained, through which poultry feed is distributed to members. In 1934 the association sold 6,579,000 dozen eggs, with a sales value of \$1,368,400. The volume of supplies handled amounted to slightly more than \$285,000. The association sells the major portion of its products through the Pacific Egg Producers Cooperative, Inc., of New York, of which it is a member.

The Idaho Egg Producers, Caldwell, Idaho, was organized in 1923. The association has for its purpose the cooperative marketing of poultry and eggs and the cooperative purchasing and distributing of

poultry feeds and other farm supplies. In addition to the payment of a nominal membership fee, new members are required to purchase shares of common stock in accordance with the number of hens in their flock. Voting is on the basis of 1 man, 1 vote. The association owns and operates three warehouses where eggs, poultry, and turkeys are received and feeds distributed to members located in the respective areas served from these points. The bulk of the association's business is the marketing of eggs and poultry. In January 1935 a membership of 1,250 was reported and the business for that year amounted to approximately \$1,000,000.

The Utah Poultry Producers Cooperative, with headquarters at Salt Lake City, Utah, was incorporated as a stock association in 1923 to enable the Utah poultry producers to sell their rapidly increasing surplus of poultry and eggs in outside markets. In 1934 the association had 5,000 members. This organization is of the centralized type; it has 27 branch stations extending from southern Idaho to southern Utah. It has marketed at times almost 90 percent of the eggs sold by Utah producers. While large volumes of eggs are sold locally and on the Pacific coast, most of the eggs are sold in New York City where the association maintains a sales office. Besides handling over 500,000 cases of eggs in 1934, the association sold 2,500,000 pounds of live and dressed poultry and purchased for members \$1,640,000 worth of farm supplies.

The San Diego Cooperative Poultry Association at San Diego, Calif., was formed in 1929 by a merger of the San Diego Poultry Association of San Diego and the Poultry Producers of San Diego, both of which had been operating in the area for a number of years. The association is a nonstock corporation. It receives and sells eggs, and handles feeds and other farm supplies for its members at its warehouses and feed mill in San Diego. All of the members are located in San Diego County within a radius of 30 miles from the city.

There are no purchasing or marketing agreements, but farmers patronize the association because of the savings which are made available to them through its economical operation. The total volume of business for 1934 amounted to \$821,829, of which \$172,071 represented egg sales and \$649,758, sales of supplies.

The Poultrymen's Cooperative Association of Southern California, Los Angeles, Calif., was organized in 1931 as a result of a merger of the Poultrymen's Cooperative Milling Association, organized in 1912, and the Poultry Producers of South California, Inc., organized in 1916. The association markets eggs for its members through wholesale and retail channels and purchases feed and supplies for them. In February 1935 the association had 1,371 members. Each member has 1 vote with an additional voting privilege determined annually on the basis of volume of business transacted by the member; provided,

however, that no member may have in excess of 5 votes. Eggs received from members are handled on a weekly pool basis. In 1934 the association handled more than 137,000 cases of eggs for its members, and purchased for them 33,555 tons of feed. Most of the eggs are marketed in southern California. A few are sold in eastern markets through the Pacific Egg Producers Cooperative, Inc.

COOPERATION IN THE MIDDLE WEST

The Middle West is next to the West in importance of the development of cooperative egg and poultry marketing associations. Production in the Middle West is not generally of the commercial or specialized type found in the Far West or in some areas in the Eastern States. Instead it is confined chiefly to small-sized farm flocks. The cooperative marketing of eggs and poultry from a large number of small farm flocks is much more difficult than the marketing of products from large commercial-type flocks. Farm-flock production is much more seasonal, and the size, color, and quality are not uniform. In order to obtain a sufficient volume to operate at a low per-unit cost, an association must cover a considerable territory. For this reason, associations handling only poultry and eggs are relatively few in the Middle West.

In some dairy communities of the Middle West poultry and eggs are marketed jointly with dairy products. The local cooperative creamery often provides a suitable place for assembling and handling eggs. When the quantity of poultry products received does not permit car-lot shipments, the eggs are frequently shipped by the creamery in combination refrigerator cars which carry butter and eggs. The chief limitation to this method of marketing eggs lies in the fact that few creameries receive sufficient eggs to warrant the employment of persons experienced in their marketing.

The Land O'Lakes Creameries, Inc., has been handling eggs and poultry for its member creameries for the last 10 years, and has a poultry-and-egg department with trained personnel to carry on this marketing service. In 1934 the Land O'Lakes Creameries, Inc., handled over 150,000 cases of eggs, almost 5,000,000 pounds of turkeys, and about 4,000,000 pounds of other poultry, including chickens, ducks, and geese (table 4). Eggs are delivered directly to the local cooperative creamery by producers. From here they are sent to a plant of the Land O'Lakes association where they are candled, graded, and packed. In addition to the central egg-packing plant at Minneapolis, the association owns and operates three modern poultry plants equipped for feeding, fattening, dressing, grading, and packing. These plants are located at St. Paul, Thief River Falls, and Albert Lea, Minn. The association markets the poultry and eggs

through its regular sales offices where the eggs and poultry are sold in conjunction with the dairy products.

Another important development in the cooperative marketing of poultry and eggs in the Middle West has taken place in Missouri. About 20 years ago under the sponsorship of the Missouri Farmers Association, Inc., a special marketing system was developed for disposing of the Missouri eggs and poultry. Several hundred local units are used as purchasing and assembling agencies for eggs and live poultry. These local units which operate on either a commission or direct-purchase plan then ship the products to cooperatively-owned cold-storage and packing plants located at strategic points, where the eggs are candled, graded, and packed, and the poultry fattened, killed, dressed, and packed. Earnings are prorated to the local units which, in turn, prorate to individual producers. Five of these packing associations, in 1934, reported the handling of 471,609 cases of eggs, 9,280,160 pounds of live poultry, 2,700,515 pounds of dressed poultry, and 200,000 pounds of turkeys.

EASTERN ASSOCIATIONS

Conditions in the eastern part of the United States have not been particularly favorable to the formation of cooperative poultry-marketing associations. The nearness to market of the concentrated areas of production, together with the number and variety of available outlets, seem to contribute to a general lack of interest in cooperative marketing. Notwithstanding this fact, however, there are a number of successful cooperative poultry and egg marketing associations in the Northeastern States near the large consuming centers. These associations are, for the most part, of three distinct types: (1) Pooling associations; (2) marketing associations affiliated with large cooperative purchasing associations; and (3) auction associations.

A number of pooling associations are scattered throughout the Northeastern States, most of which are rather small. Two of these, the Connecticut Poultry Producers, Inc., at New Haven, and the Eastern Connecticut Poultry Producers, Inc., at Providence, R. I., have been particularly successful.

The Connecticut Poultry Producers, organized in 1924 with 127 members, had 493 members in 1934, and had in 1934 sales which amounted to more than \$500,000. This association receives its eggs from six western counties of Connecticut where it maintains three receiving stations to receive, grade, and sell eggs. The Eastern Connecticut Poultry Producers, Inc., organized in 1923, had 153 members in 1934 and marketed 25,000 cases of eggs. It obtains its eggs from the three eastern counties of Connecticut and sells the bulk of them to chain stores in Providence, R. I.

Considerable quantities of eggs and some poultry are sold by marketing associations affiliated with the large cooperative purchas-

ing associations. Important among these are the Egg Marketing Department of the Ohio Farm Bureau Federation, which operates a number of grading stations in Ohio; the Cooperative G. L. F. Egg Marketing Service, Inc., affiliated with the Cooperative Orange League Federation Exchange, Inc., which receives eggs directly from the producers and markets them in the large New York markets; and the Southern States Marketing Cooperative, affiliated with the Southern States Cooperative, Inc., which operates several grading stations in Virginia and markets its eggs chiefly in Washington, D. C.

The most important recent development in the cooperative marketing of poultry and eggs has been the organization of small associations selling by the auction method in the Northeastern States, particularly in New Jersey, Pennsylvania, Connecticut, New York, Massachusetts, New Hampshire, and Ohio. The first of these auction associations was organized in New Jersey in 1930. At present there are more than 20 associations of this type operating in the States named. Most of the auction associations handle only eggs, but several handle both poultry and eggs, and a few handle live poultry only. These associations usually have sales twice a week and sell the products by the auction method in small lots. Due to their operating methods, their local nature, prompt payments to producers, lack of marketing agreements, and low operating cost, these associations have apparently filled a need for a new type of cooperative marketing association close to the large consuming centers. These associations have enabled their members to obtain better prices for poultry and eggs and have improved the prices for these products to the nonmember producers as well as to the member producers in their areas of operation. This form of cooperative association, while relatively new, seems to be well adapted to producing areas which have a high quality of product and which are close to the large markets where there are many buyers who wish graded and high-quality poultry products in small volumes.

REGIONAL SALES AGENCIES

No attempt has been made to organize a national sales agency to market poultry and eggs, such as those existing for several other agricultural commodities. Some of the associations, however, have affiliated into regional sales agencies or organized joint sales agencies for the purpose of minimizing competition and to enable the associations to market the products of their members more efficiently. Two of these regional sales agencies, one selling eggs and the other dressed turkeys, are of special interest.

When the five large cooperative associations on the Pacific coast in 1922 organized a cooperative sales agency to sell their eggs in the markets east of the Mississippi River, an important step in the cooperative marketing of eggs was taken. This sales agency, the Pacific

Egg Producers Cooperative, Inc., has its headquarters in New York City and branch offices in some of the other cities in the East, as well as in some foreign countries. This organization sold in 1934 for its member associations 1,183,550 cases of eggs, with an aggregate sales value of \$10,116,000.

One of the many contributions which this cooperative sales organization has made to the development of the cooperative marketing of



FIGURE 15.—TURKEYS
PACKED BY A COOPERATIVE
ASSOCIATION.

The appeal of a standardized product put up in attractive containers is emphasized.

poultry products is the controlled auction method in the sale of a considerable portion of its volume. In the first years of operation, the auction absorbed most of the volume when as many as 5,000 cases were sold by this method daily. Due to the fact that large buyers do not now buy by the auction method, the average auction volume has declined to about 800 cases per day. The auction is now run only a few weeks during the period of declining market price when it helps to cushion the decline. It is still recognized as a price-making tool and one of the more important instruments for reflecting market sentiment.

The Northwestern Turkey Growers Association, Salt Lake City, Utah, organized in September 1930, is a regional association created

by the federation of 20 local and State turkey-marketing pools. The member associations of this federation are located in Colorado, Idaho, Nevada, Montana, Oregon, Utah, Washington, and Wyoming. The total number of producers of these member associations is about 10,200. Besides the main office in Salt Lake City, the association has sales offices at New York City, Philadelphia, Los Angeles, San Francisco, and Chicago. During its first year of operation the Northwestern Turkey Growers Association marketed for its members 3,500,000 pounds of dressed turkeys. During the year 1934-35 it marketed 5,500,000 pounds. A year-around educational program is carried on by the association to improve the quality of turkeys. As a result of this quality educational work, the percentage of prime turkeys has increased from 69 to 86 percent. The turkeys are killed and dressed by the producers, graded and packed by the member associations, and sold by the federation under cooperative trade names (fig. 15). Some of the accomplishments of the association have been reduced cost of marketing, increased number of market outlets, reduction of transportation costs, control over distribution, the building up of ample reserves, 100 percent collection of accounts, uniform and standardized grading, conservative advances to members, quality improvement work, and the reduction of advertising costs through the establishment of an association trade mark.

JOINT HANDLING OF DAIRY AND POULTRY PRODUCTS

Besides the large cooperative selling agencies marketing only poultry and eggs, there are a number of recognized regional sales agencies for cooperatives which handle both dairy and poultry products. In the areas where diversified farming is practiced rather extensively and where the production of both dairy and poultry products is done on a small scale and in conjunction, there has been a growth in the handling of these two groups of commodities through the same cooperative associations. By this plan the total volume of business is increased, and assembling, overhead, and operating costs for all products handled can be reduced.

The Challenge Cream & Butter Association, Los Angeles, Calif., and Land O'Lakes Creameries, Inc., Minneapolis, Minn., were the two largest of these cooperative associations handling both dairy and poultry products prior to 1931. A third regional sales agency which handled both dairy and poultry products is the Dairy and Poultry Cooperatives, Inc., Chicago, Ill., organized in March 1931. Qualified cooperative marketing associations of producers of dairy and poultry products in Illinois, Iowa, Ohio, Indiana, North Dakota, South Dakota, Nebraska, Missouri, Kansas, Colorado, Oklahoma, Texas, North Carolina, and West Virginia may market their products through this regional sales agency.

COOPERATIVE MARKETING OF TOBACCO

THE CONDITIONS under which tobacco is generally grown and marketed offer a number of handicaps to the building of successful cooperatives. There are 25 recognized types of American-grown tobacco.¹⁶ These types, some produced over widely scattered areas, some concentrated in one State or locality, are grown and handled differently and sold for different uses and manufacturing purposes. Growers of a particular type may be found in a fairly small area in which they specialize in this one type and crop, or they may be in groups so widely separated as to have little contact. The growers in a single State may produce several types of tobacco, so that their interests are not identical.

The grading of tobacco is based on a number of quality factors and requires the services of a trained and experienced classer. Most growers, therefore, do not know the exact grade of their product. They are also at a disadvantage because there are no centralized competitive markets upon which market quotations may be based. The outlets for American-grown tobacco are limited to a few large manufacturing companies and buyers for the export trade. The companies that manufacture tobacco in quantity customarily buy ample supplies far ahead and do not feel compelled to bargain with growers' organizations for any one crop at a particular time.

EARLY ASSOCIATIONS

Tobacco growers were among the first of the commodity groups to undertake cooperative marketing of their product on a large scale. Attempts were made to market tobacco cooperatively as far back as 1862, when an association was formed in Connecticut. In 1873 tobacco growers undertook to market their crops cooperatively in Kentucky and in Massachusetts, where warehouses were built in which growers might store tobacco pending the development of better prices. Later on growers attempted to improve their situation through packing associations, sales agencies, and local pools. The initiation of the practice of buying tobacco in farmers' barns in the nineties caused strife in Kentucky from 1890 to 1911 between the growers who were attempting to get better prices and the large tobacco companies which dominated the tobacco industry. Several producer organizations, the best known of which were the Planters Protective Association, and the Burley Tobacco Society, were organized during this period in an endeavor to exercise sufficient bargaining power to name a price below which they would not sell.

¹⁶ Gage, C. E. *American Tobacco Types and Uses*. U. S. Dept. Agr. Circ. 249, 68 pp., illus. 1933. See p. 1.

Operations of local farmer-owned warehouses and packing plants for tobacco were begun in Wisconsin about 1902 and more than 20 of these associations were formed soon afterward. During the following years associations were formed in Kentucky, Tennessee, Maryland, Virginia, North Carolina, Massachusetts, Ohio, and Connecticut. These associations attempted by various methods to compel the large tobacco companies to pay higher prices for tobacco.

POST-WAR ORGANIZATIONS

During the World War and immediately thereafter, prices for tobacco were attractive, partly because of the greatly increased consumption of cigarettes brought on by the war. Consequently, production was greatly stimulated and the prices of items involved in tobacco production increased to about the same extent that tobacco prices had increased. Land values were inflated; long-time commitments were made at such inflated prices that when the post-war slump came many farmers found themselves unable to meet these commitments. This gave a fertile field for the promotion of cooperative organizations designed to improve prices.

Prices received for the 1920 crop of tobacco averaged only about one-third of those received for the previous crop. Farmers in some sections forced the markets to close as they protested against the prices offered by the manufacturing companies. Because the growers needed cash, these markets were soon opened again and the 1920 crop disposed of at what many farmers and their bankers considered ruinous prices. This condition led to the formation of several large tobacco marketing associations during the years 1920-23. Approximately 300,000 growers became members of these associations, which handled in 1923 about 700,000,000 pounds, or 46 percent of the tobacco grown in the United States.

The Burley Tobacco Growers Association, Lexington, Ky., was organized in 1921 with a total membership of 55,600 and had in 1926 a membership of more than 109,000 growers in Kentucky, Ohio, Indiana, West Virginia, Missouri, Tennessee, western North Carolina, and Virginia. In 1923 it handled over 245,000,000 pounds of tobacco and during its 6 years of operation handled about 1,000,000,000 pounds of tobacco. The method of pooling used by the association delayed final settlement with its members until all the tobacco delivered for a particular season had been sold. Delay on the part of the association in selling the crops of 1923, 1924, and 1925 caused many members to become dissatisfied. As a result, an insufficient number of growers responded when the association submitted a new 5-year contract to them in 1926, which was not to be effective unless signed by producers controlling 75 percent of all burley tobacco

grown. Although operations of the association were discontinued in 1926, it still maintains its corporate structure.

Other tobacco cooperatives formed during the years 1920-23 included the Tri-State Tobacco Growers (The Tobacco Growers Cooperative Association, Richmond, Va.); the Connecticut Valley Tobacco Growers Association, Hartford; the Dark Tobacco Growers Association, Hopkinsville, Ky.; and the Miami Valley Tobacco Growers Association, Dayton, Ohio. Although these organizations were apparently successful in their early operations, they did not succeed in establishing themselves on a permanent basis.

The Maryland Tobacco Growers Association, Baltimore, Md., was organized in 1906 but did not function as a marketing organization until 1920. It has been in business continuously since then. Its marketing agreement is an agency contract, revocable in any year by either party. The association handles the tobacco on a commission basis as a broker for its grower-members. The present membership is about 6,000.



FIGURE 16.—HOGSHEADS OF MARYLAND-GROWN TOBACCO AWAITING SALE. Each hogshead contains approximately 550 to 600 pounds of tobacco which has been air-cured before being packed.

The marketing of tobacco in Maryland is regulated by State law and is concentrated at the State warehouse in Baltimore (fig. 16.) It is a 12-month market, the heaviest delivery period being from June 1 to November 1. Maryland growers hang their tobacco after cutting and when it has been cured, strip and rehang it for further curing, later packing it at the barn and shipping it to the Baltimore market. The State samples the tobacco and guarantees the samples. Buyers inspect samples displayed daily and make sealed bids for the hogsheads represented. The bids are opened at the end of each day

and the hogsheads sold to the highest bidder, subject to the right of rejection of the bid by the grower or his representative. Free storage is provided to all growers and after the tobacco is sold, free storage for the buyers continues for a period of 6 months.

The association's methods of handling and selling are much the same as those of the independent commission merchant. It functions as a cooperative sales agency and does not condition, grade or process the tobacco of its members. Pooling is not practiced. Proceeds of sale of each member's tobacco are forwarded direct to him, less any indebtedness to the association and less the selling commission.

The association is also a cooperative purchasing agency and buys for its members various farm supplies, mostly fertilizer. Its income from commissions on supplies purchased exceeds the income from commissions on tobacco sold.

The Northern Wisconsin Cooperative Tobacco Pool, Madison, Wis., was incorporated and began operations in 1922. Its marketing agreement consists of a full delivery pooling contract with right of cancelation by either party only at the end of stated 5-year periods. The membership of the association in 1934 was reported to be about 7,700, but tobacco production in Wisconsin had declined materially as demand had fallen off and the association's stocks had increased since 1930. Since cigar tobacco must undergo a fermentation or sweating process before being packed and sold, the association operates a number of packing plants. If the tobacco when packed is not immediately sold, it is stored in warehouses rented by the association (fig. 17).

RENEWED INTEREST IN TOBACCO COOPERATIVES

During the years when tobacco prices were comparatively satisfactory, growers of tobacco were inclined to take little interest in cooperative marketing. With the severe price declines of 1929 and 1930, however, renewed interest in cooperative organization appeared. Groups of leaders from the several tobacco-growing areas undertook to enlist the aid of State and Federal agencies in holding grower meetings with a view to promoting cooperative organizations. By the spring of 1930 such activity was under way in several important tobacco-growing sections. These educational programs undertook to promote an understanding of the problems of tobacco marketing and the essential factors of cooperative organization. Following this educational work, seven cooperative tobacco marketing associations were organized. Five of these are still active and, together with the Maryland and Wisconsin organizations, make a total of seven regional cooperative tobacco marketing associations now in operation (1935).

Cooperation in South Carolina

One of the first results of the educational program referred to above was the South Carolina Tobacco Growers Marketing Association, organized in 1930, with headquarters at Florence, S. C. This association has a contract with about 5,000 members, who delivered during the first season approximately 17,000,000 pounds, or 20 per-



FIGURE 17.—BUNDLES OF WISCONSIN CIGAR-LEAF TOBACCO IN STORAGE. Cigar tobacco must undergo a fermentation or sweating process, after which it is packed in bundles of about 35 pounds each and stored until sold.

cent of the South Carolina production for 1930. The association met with difficulties in selling its tobacco; and when the 1931 crop was ready for market members appeared to be reluctant to deliver and voted to suspend deliveries. A considerable portion of this tobacco was carried by the association until 1933 and 1934 and was sold at improved prices, but no deliveries have been made to the association since the fall of 1931.

Organization in Virginia

In Virginia in 1930 two organization committees were set up, one for the bright-tobacco section and one for the dark-tobacco section. These committees prepared a membership contract and undertook a

membership campaign among growers, but were unable to obtain sufficient volume to justify handling the 1931 crop. As had been agreed in such a contingency, the committees continued their efforts to organize for the handling of the 1932 crop.

The Virginia Bright Tobacco Growers Association, South Boston, Va., started business with the 1932 crop. Because of the desire of the members for complete returns for their tobacco at the time of sale, the association sold all deliveries of the 1932 crop at auction. This tobacco was sold and settled for in much the same manner as that used by independent buyers, the growers receiving full sales proceeds less usual charges for commission. Some growers who did not favor the auction plan of selling failed to deliver to the association. Other members had no tobacco crop that year. Thus the volume handled was small and the association suspended operation in 1933.

The Virginia Dark Fired Tobacco Growers Marketing Association, Farmville, Va., has contracts with more than 8,000 members. It handled over 6,000,000 pounds of the 1932 dark-tobacco crop of Virginia; 10,500,000 pounds of the 1933 crop; and 6,800,000 pounds of the 1934 crop. It sold individual crops at auction and made settlement on day of sale, less a small charge for operating expenses and less 10 percent of the gross sales price which was retained for operating capital. With this operating capital the association bought some tobacco as it was auctioned and rehandled it, later offering it for sale again. At the end of the first season half of the 10 percent deduction was distributed to growers, the remainder having been required for operating expenses. The association's operations for 1933 and 1934 were equally as successful as those of the 1932 season. In the fall of 1935 the association began to consider offering a pooling service to growers who might prefer to pool a portion of their crop instead of accepting the prices offered on the auction floor. This development will depend upon satisfactory arrangements for financing the crop and the growers' willingness to accept an advance consistent with sound financing rather than to obtain final settlement and full payment by sale at auction.

Kentucky-Tennessee Dark-Tobacco Cooperatives

A considerable number of farmers in the dark-tobacco area of western Kentucky and Tennessee had been interested in organization soon after the Dark Tobacco Growers Association ceased operations in 1926. However, the ideas concerning cooperative marketing engendered by the previous association had delayed concerted effort and there was much difference of opinion as to the kind of organization that should be planned. Organization committees were

selected in August 1931 by the growers of the two main types of dark tobacco in these States. These committees adopted contracts which they presented to growers. Prices offered for dark tobacco of the 1931 crop when the markets opened were very unsatisfactory, and it seemed that there might be no market for a portion of the crop unless the association began operation. Sufficient tobacco was "signed up" to justify operation, and the organizations were perfected and began to handle the 1931 crop early in 1932. Arrangements were made for the financing of tobacco not sold at auction. Prices were so low that a considerable quantity of tobacco was graded "no value" at the time it was received because the price offered on the auction market was little, if any, more than the outlay necessarily incurred in putting the tobacco into hogsheads.

In the dark-tobacco area of Kentucky and Tennessee there are now three tobacco cooperatives, the Eastern Dark Fired Tobacco Growers Association, Springfield, Tenn., the Western Dark Fired Tobacco Growers Association, Murray, Ky., and the Stemming District Tobacco Association, Henderson, Ky.



FIGURE 18.—LOOSE-LEAF TOBACCO ARRANGED IN BASKETS FOR SALE AT AUCTION.

Tobacco is brought to the warehouse by the grower where it is placed in baskets, graded, if desired, and later sold at auction.

The associations have a type of marketing agreement that is quite a departure from the methods that have heretofore been followed by tobacco cooperatives. Members have the right to have their tobacco sold on their own farms or offered for sale at auction (fig. 18), where the members are allowed to reject bids made and to pool tobacco not sold under the other options. After the tobacco is pooled, it is commingled

by grade and thus loses its identity, so that it becomes necessary from then on for the association to sell and settle for the tobacco by pools. The three associations all began marketing with the 1931 crop at a time when the markets for dark tobacco were quite demoralized.

The Eastern association reported a membership of 18,000 in 1935 and handled that year 35,000,000 pounds of tobacco. The Western association reported a membership of 9,000 in 1935 and sold at auction or pooled 12,103,000 pounds of the 1934 crop of tobacco.

The stemming association reported a membership of 7,000 in 1935 and sold that year 3,500,000 pounds of tobacco.

There has been much difference of opinion concerning the options given members as to methods of sale. Opponents of the plan contend that the associations have no bargaining power, that they will have delivered to them only the undesirable grades of tobacco, and that they will always be found carrying the surplus. The problems of salesmanship are apparently the same with or without the options. An advantage of the options is that growers are able to get all of their returns at time of delivery for such part of their crops as they desire to sell at once.

These associations arranged to finance the 1934 crop and advanced to the growers for the tobacco pooled about the same price per hundred pounds that was paid on the auction market. As a result of this advance, about one-third of the 1934 crop was pooled by these associations. It also stimulated sales of the associations' holdings of 1932 and 1933 crops which had been put into storage with a smaller advance per hundred pounds.

Ohio Cigar Leaf Tobacco Growers Association

Some tobacco producers in the Miami Valley of Ohio again became interested in cooperative marketing in the latter part of 1930. An organization plan was prepared and presented to the growers in January 1931. Although only about 100 growers signed contracts, the committee organized an association, the Ohio Cigar-Leaf Tobacco Growers Association, Greenville, Ohio.

Tobacco handled by this association is of the cigar type and an effort has been made to build up business with the small cigar manufacturers. Sale of the 1930 crop was slow, but all holdings were disposed of. No advances were made on the crop, members waiting until it was sold before receiving any money. Advances on later crops have been very conservative.

Tobacco grown in the Miami Valley had previously been sold on the farms to buyers who paid about the same for all crops. In undertaking to properly grade and pack tobacco for growers, selling it according to grade, it appears that this association has an opportunity for important service.

PRESENT OPERATING POLICIES

Among the associations operating will be found some marked differences from the organizations formed in 1920-22. Most of the tobacco associations organized as a result of the post-war depression were formed with the general idea of monopoly control in an effort to demand higher prices. Membership contracts of these associations contained severe penalties for nondelivery and attempts to enforce these contracts created antagonism among producers. The idea was presented to the growers generally that the manufacturers were fixing prices and would pay more if the growers would combine in sufficient numbers and with sufficient volume to make their demands effective. This naturally antagonized buyers, making it difficult for the associations to sell later on. Prices were maintained by carrying over the unsold portions of the crop, while the buyers purchased the tobacco of nonmembers. This practice resulted in delayed final returns, which made it appear more profitable from a short-time point of view for growers to remain outside the associations.

Contracts have now been liberalized and more emphasis is being given to satisfactory service as a guarantee of continuing membership than to legal restraint or "iron-clad" contracts. There is a marked trend away from the idea of controlling prices by monopoly influence and a trend toward improving marketing services by means of producers' marketing agencies designed to obtain for growers the maximum returns justified by the product according to market conditions.

Pooling is no longer considered an essential part of cooperation among tobacco growers. It has come to be believed that smaller associations efficiently managed can improve marketing services and correct existing abuses without controlling a major portion of the crop. The selling of that tobacco which is pooled is still a vital problem. A conviction is growing that an organization should sell and settle for each crop before another is ready for market. To do this to the best advantage of the growers, management of cooperatives needs to maintain satisfactory working relations with buyers. It is believed that progress is being made in the development of effective sales policies by well managed organizations.

There is at present a growing sentiment among leaders of tobacco growers in some sections for a plan of cooperative marketing that will afford the opportunity of offering tobacco for immediate sale through their association with the privilege of rejecting the bids and pooling the tobacco. Contracts embodying this idea, generally referred to as the optional sales plan, have been adopted by some of the tobacco organizations formed since 1930. To date these associations have not operated for a sufficiently long period to definitely demonstrate that such a plan of operation would be satisfactory under normal conditions.

WOOL AND MOHAIR COOPERATIVES

COOPERATION among wool growers in assembling their clips at convenient locations for sale has been practiced since the eighties. This service is carried on by informal, local associations which have become known as "wool pools." A large number of such pools have been organized during the last 50 years and this method of marketing is still popular among wool producers in many areas.

The present pool-type association concentrates wool at a country point and offers it for sale to the highest bidder. The wool is usually sold in one lot although occasionally a pool is split among 2 or 3 buyers. Some of the western pools, however, sell each grower's clip separately by means of sealed bids. Ordinarily the wool is entered in these pools regardless of grade or quality. A few pool managers, however, make some attempt at grading or classifying. The pools are active for only a few weeks during the wool-marketing season. As a rule, the tonnage is not sufficient to justify employment of a full-time manager. Many of the western pools are supervised by banks or other lending agencies, and the wool in these is sold by means of sealed bids. The average tonnage in the county pools in the Eastern States is probably in the neighborhood of 30,000 to 40,000 pounds. In the Western States the average tonnage ranges from 150,000 to 200,000 pounds.

FIRST WOOL-MARKETING ASSOCIATIONS

Early in the development of cooperative wool pools, growers realized the advantages of having their own sales agencies. Thus farmers began to formulate plans for marketing wool on a more comprehensive scale. The first large-scale grower-owned wool-marketing association was the National Wool Warehouse & Storage Co., organized in 1909. This association was an outgrowth of dissatisfaction among western wool growers with the buying methods of eastern dealers. This association erected in Chicago a storage warehouse with a capacity of 25,000,000 pounds of wool. In the beginning wool was obtained through consignments from large growers and wool pools. Later the organization fostered the development of cooperative associations in order to build up its volume and facilitate the handling of the wool.

The association made satisfactory progress until 1920, a year of severe decline in wool prices. A total of \$3,500,000 had been advanced to growers and when the wool was sold the proceeds were insufficient to liquidate the advances. As a result of these losses, the National

Wool Warehouse & Storage Co., ceased operations at the close of the 1924 season.

In the same year the National Wool Warehouse & Storage Co. ceased operations, plans were made for setting up the National Wool Exchange. The headquarters of this organization was in Boston, with a branch in Chicago for concentration of fleece wools and small western clips. Capital was obtained by the sale of 2,000 shares of preferred stock at \$100 a share and 3,000 shares of common stock of no par value offered at \$1 a share.

Profiting by the experience of the National Wool Warehouse & Storage Co., the exchange made no direct advances on wool, except for freight. Either individual growers or cooperative wool associations could become members of the exchange, each having the privilege of taking stock on the same basis. In order to build up volume, it also fostered the organization of cooperative associations in States from which it drew its membership. The exchange acted as selling agent for its members on a commission basis. The National Wool Exchange began operation in March 1925 and continued to function until its operations were taken over by the National Wool Marketing Corporation in 1930.

OHIO WOOL GROWERS COOPERATIVE ASSOCIATION

Wool growers in Ohio have been selling their wool cooperatively since 1918, when the Ohio Wool Growers Association was organized. In 1924 the association was reorganized as a nonstock cooperative and took the corporate name of The Ohio Wool Growers Cooperative Association. About 8,000 growers from Ohio and nearby States consign wool to the association each year. Signing a marketing agreement qualifies a producer as a member. Each member has one vote. The organization offers a complete grading and marketing service. It receives wools, grades them at its own warehouse, and sells direct to mills through a sales agent. Initial payments are made on wool at the time of delivery. Wools are then pooled and final settlement made when the sales have been completed.

TABLE 9.—WOOL HANDLED BY THE OHIO WOOL GROWERS COOPERATIVE ASSOCIATION, 1918 TO 1935

Year	Wool handled	Year	Wool handled
	<i>Pounds</i>		<i>Pounds</i>
1918.....	552, 694	1927.....	3, 221, 039
1919.....	1, 503, 202	1928.....	2, 975, 000
1920.....	1, 987, 000	1929.....	3, 832, 624
1921.....	6, 227, 000	1930.....	3, 325, 000
1922.....	2, 725, 000	1931.....	3, 776, 000
1923.....	3, 744, 000	1932.....	3, 325, 000
1924.....	3, 542, 000	1933.....	2, 940, 239
1925.....	4, 555, 852	1934.....	3, 763, 053
1926.....	4, 080, 465	1935.....	3, 365, 901

The association conducts educational work with a view to improving production practices, quality of the wool clip, and preparation of fleeces. It also carries a complete line of supplies for wool growers. During the 10 years, 1926 to 1935, average annual deliveries have been in excess of 3,400,000 pounds (table 9).

PACIFIC WOOL GROWERS

The Oregon Wool & Mohair Cooperative Association, Portland, Oreg., was organized under the laws of Oregon on May 25, 1921, and operated in western and southern Oregon. It has pioneered the cooperative wool-marketing movement in the West for 15 years, and its marketing methods have been adopted to a great extent by other associations. The association received many requests from eastern Oregon range wool growers and wool growers in Washington and California to serve them also in the marketing of their wool. As a result, the name of the association was changed in 1922 to the Pacific Cooperative Wool Growers. In 1932, certain changes were made in the corporate set-up (in order) to enable the organization to transact business in a wider field. It was then incorporated under the name Pacific Wool Growers. It is a regional cooperative and handles wool from Oregon, Washington, Idaho, California, and Nevada, as well as some clips from Alaska.

This association has approximately 2,000 members, for which it maintains a complete wool-marketing service, including financing, warehousing, grading, and selling. Its wool is sold direct to mills through its own sales offices in Boston, Portland, and San Francisco. It handles clips from large producers in the range areas, as well as small clips from farm-flock sections. It is able, therefore, to offer wool to different types of mills using fine, medium, or coarse wools. Lots that require grading are handled in the association's Portland warehouse. It is found more economical to ship a large portion of the strictly fine, original-bag wool directly east for storage and sale than to store it for any length of time in Portland.

Warehouses are maintained at Portland, Oreg., San Francisco, Calif., and Boston, Mass. During the 10 years 1926-35, annual deliveries have ranged from 3,500,000 pounds to 9,800,000 pounds of wool and mohair (table 10).

The association makes liberal advances to its members based on the current value of the wool at the time of delivery. The wool is marketed in an orderly manner throughout the mill-consuming season and payment is made to producers upon settlement of the various pools. Certain original-bag lots, large enough to qualify as a pool by themselves, are settled for when sold. The association also operates a small supply department which handles essential supplies for sheep men.

TABLE 10.—WOOL AND MOHAIR HANDLED BY PACIFIC WOOL GROWERS, 1921 TO 1935

Year	Number members	Wool and mohair handled	Year	Number members	Wool and mohair handled
		<i>Pounds</i>			<i>Pounds</i>
1921.....	1, 800	1, 589, 089	1929.....	3, 616	4, 958, 602
1922.....	2, 067	977, 377	1930.....	3, 935	9, 800, 000
1923.....	2, 471	1, 942, 248	1931.....	3, 512	8, 025, 000
1924.....	2, 546	2, 855, 818	1932.....	2, 601	6, 250, 000
1925.....	2, 991	6, 132, 091	1933.....	2, 035	4, 200, 000
1926.....	2, 130	5, 128, 209	1934.....	2, 456	5, 000, 000
1927.....	2, 459	4, 935, 678	1935.....	2, 000	3, 500, 000
1928.....	3, 275	4, 229, 630			

One of the outstanding features of the Pacific is its educational work. It holds grading demonstrations throughout its territory and cooperates with Government agencies and farm organizations in the promotion of improved marketing practices. The association also has been active in sponsoring wool shows where growers can compete in the production of wool from both purebred and grade animals. It publishes a monthly paper, the Pacific Wool Grower, which it circulates to its members.

NATIONAL WOOL MARKETING CORPORATION

Although woolgrowers had made rapid progress in cooperative marketing previous to 1929, they still found a number of unsatisfactory conditions in connection with the marketing of their product which they believed might be corrected by further centralization of sales. A number of small cooperatives had no satisfactory sales outlets and many of these were in direct competition with each other in selling their wool. Except for a temporary rise in 1928, wool prices had declined almost steadily since 1925. Some of the leaders in the movement believed that concentration of volume through one organization would make it possible to more nearly regulate wool sales in accordance with mill demands and thereby exert a stabilizing influence on prices.

Many growers were not satisfied with the buyers' methods and were also of the opinion that margins were greater than necessary. Growers also felt that better average prices would be obtained if they could distribute the sale of their wool throughout the season. Their ideas in this respect were strengthened by the fact that periods of active buying in the country do not always coincide with periods of heaviest purchases by mills. Receipts and sales of wool by marketing agencies indicate that sales to manufacturers are usually heaviest when wool growers have little or no wool for sale.

The National Wool Marketing Corporation was incorporated December 24, 1929, under the laws of Delaware, with authorized capital stock of \$1,000,000. Operations were begun in January 1930 with headquarters at Boston, Mass. Following the organization of the national marketing association, the National Wool Credit Corporation was set up with a capitalization of \$1,000,000.

Inasmuch as the bulk of mohair grown was produced by wool-growers, and as mohair producers who had assisted in the organization of the National Wool Marketing Corporation were already represented on its board of directors, it was decided that the organization should handle and sell this commodity as well and thus save the overhead expense of a separate cooperative.

In the spring of 1930 the following nine cooperative wool-marketing associations then operating purchased stock and became members of the National Wool Marketing Corporation:

Arizona Wool Growers Association, Phoenix, Ariz.

Cooperative Wool Growers of South Dakota, Brookings, S. Dak.

Iowa Sheep and Wool Growers Association, Des Moines, Iowa.

Minnesota Cooperative Wool Growers Association, Wabasha, Minn.

Montana Wool Cooperative Marketing Association, Helena, Mont.

North Dakota Cooperative Wool Marketing Association, Fargo, N. Dak.

Pacific Cooperative Wool Growers Association, Portland, Oreg.

Utah Wool Marketing Association, Salt Lake City, Utah.

Wyoming Wool Cooperative Marketing Association, McKinley, Wyo.

There were large numbers of woolgrowers not included in the territory covered by the above nine associations. In order to make cooperative associations generally available to all important wool-growing regions and also to increase the volume of the National, a number of new wool associations were set up soon after the National came into existence. By the middle of 1930, 17 additional wool cooperatives had become members of the National. The names and addresses of these 17 associations are as follows:

American Mohair Producers Cooperative Marketing Corporation, Uvalde, Tex.

California Wool Marketing Association, San Francisco, Calif.

Central Wool Marketing Corporation, Boston, Mass.

Colorado Wool Marketing Association, Denver, Colo.

Colorado-New Mexico Wool Marketing Association, Durango, Colo.

Eastern Idaho Wool Marketing Association, Inc., Pocatello, Idaho.

Lone Star Wool-Mohair Cooperative Association, San Angelo, Tex.

Michigan Cooperative Wool Marketing Association, Lansing, Mich.

Mid-Texas Wool and Mohair Marketing Corporation, Menard, Tex.
 Midwest Wool Marketing Association, Kansas City, Mo.

Nevada Wool Marketing Association, Elko, Nev.

New Mexico Cooperative Wool Marketing Association, Albuquerque, N. Mex.

Oregon-Washington Wool Marketing Association, Yakima, Wash.

Sonora Wool and Mohair Marketing Corporation, Sonora, Tex.

Southwest Texas Wool and Mohair Marketing Association, Del Rio, Tex.

United Wool Growers Association, Richmond, Va.

Western Idaho Wool Marketing Association, Inc., Boise, Idaho.

In 1932 the Pacific Cooperative Wool Growers Association, Portland, Oreg., and in 1935 the Lone Star Wool-Mohair Cooperative Association, San Angelo, Tex., withdrew from the National.

In 1931 the Indiana Wool Growers Association, Indianapolis, Ind., and the Wisconsin Cooperative Wool Growers Association, Portage, Wis., became members and stockholders of the National.

The total volume of wool handled by member agencies of the National from 1930-1935 is as follows:

	Pounds		Pounds
1930.....	116, 656, 768	1933.....	41, 106, 937
1931.....	105, 787, 247	1934.....	62, 327, 162
1932.....	65, 727, 791	1935.....	30, 951, 629

The Territory Associations

The bulk of the National's receipts come from the 16 territory associations. The clips, for the most part, are quite large and an association with only a few hundred members may handle a considerable tonnage of wool. The average clip is probably around 8,000 pounds. Several individual clips, however, run frequently as high as 300,000 or 400,000 pounds.

Nearly all of the territory associations follow the practice of making preshearing advances to their members early in the year. These advances are usually at the rate of 50 cents per fleece. When the clip is shorn, each grower receives an advance payment on his wool and his clip is loaded on board car and shipped to one of the association's warehouses in Boston, where it is graded, stored, and sample bags displayed ready for sale. Many of the western clips are of such even grade that they can be sold in the original bags and grading is not necessary, with the exception of removing rejects.

The expense of handling the larger western clips is considerably less than of the smaller clips, such as those received from the midwestern and eastern sections of the country. Considerable quantities of the

TABLE 11.—MEMBER AGENCIES OF THE NATIONAL WOOL MARKETING CORPORATION, DECEMBER, 1935

Association	Location	Date of organization
American Mohair Producers Cooperative Marketing Corporation.	Uvalde, Tex.....	1929
Arizona Wool Growers Association.....	Phoenix, Ariz.....	1928
California Wool Marketing Association...	San Francisco, Calif.....	1930
Central Wool Marketing Corporation.....	Boston, Mass.....	1930
Colorado Wool Marketing Association.....	Denver, Colo.....	1927
Colorado-New Mexico Wool Marketing Association, Inc.	Durango, Colo.....	1930
Cooperative Wool Growers of South Dakota.	Brookings, S. Dak.....	1921
Eastern Idaho Wool Marketing Association, Inc.	Pocatello, Idaho.....	1930
Indiana Wool Growers Association.....	Indianapolis, Ind.....	1926
Iowa Sheep and Wool Growers Association.	Des Moines, Iowa.....	1921
Michigan Cooperative Wool Marketing Association.	Lansing, Mich.....	1930
Mid-Texas Wool and Mohair Marketing Corporation.	Menard, Tex.....	1930
Midwest Wool Marketing Association.....	Kansas City, Mo.....	1930
Minnesota Cooperative Wool Growers Association.	Wabasha, Minn.....	1924
Montana Wool Cooperative Marketing Association.	Helena, Mont.....	1923
Nevada Wool Marketing Association.....	Elko, Nev.....	1927
New Mexico Cooperative Wool Marketing Association.	Albuquerque, N. Mex.....	1930
North Dakota Cooperative Wool Marketing Association.	Fargo, N. Dak.....	1925
Oregon-Washington Wool Marketing Association.	Yakima, Wash.....	1930
Sonora Wool and Mohair Marketing Corporation.	Sonora, Tex.....	1930
Southwest Texas Wool and Mohair Marketing Corporation.	Del Rio, Tex.....	1930
United Wool Growers Association, Inc.....	Richmond, Va.....	1930
Utah Wool Marketing Association.....	Salt Lake City, Utah.....	1926
Western Idaho Wool Marketing Association, Inc.	Boise, Idaho.....	1930
Wisconsin Cooperative Wool Growers Association.	Portage, Wis.....	1930
Wyoming Wool Cooperative Marketing Association.	McKinley, Wyo.....	1924

territory wools have been sold according to the unit marketing plan. A great many growers, however, elect to have their clips sold individually and separate from any commingling with other lines.

The most active time for the territory cooperatives is usually from March through July, which is the time that wools are being shorn and

commodity advances have to be made. The rest of the year is usually a quiet time and it is during these months that many of the associations carry on their organization and membership work.

Fleece-Wool Associations

The operation of the fleece-wool associations is altogether different from that of the territory type. The clips are, for the most part, very small and thus require in proportion to value more attention and greater expense for handling than the larger clips. The average clip, as contrasted with those of the western growers, is in the neighborhood of 250 to 300 pounds. Nearly every clip has 4 or 5 grades and often a clip has as many as 12 or 15 grades. Unlike the territory associations, the fleece wools have established local grading points.

The grower receives an advance at the time he delivers his clip. Some associations make a conservative flat advance to the grower when his wool is received, and then when the wool has been graded and each grade accurately appraised, an additional advance is made. In a few associations no advances are made until the wool has been graded and classified. Very few of the fleece-wool cooperatives follow the practice of making preshearing advances to their members, as the cost of making advances on small flocks is prohibitive.

When the fleece wools have been graded, they are kept in local storage until ordered out by the National. The National sells the wool from sample bags received from the local associations. The sample bags are sent to Boston by manifest freight and are placed on display along with other wools which have been received by the National. All of the fleece-wool associations have their wools sold in separate pools. No one organization's wool is pooled with another. Account sales are rendered by the National to each association which, in turn, renders its account sales to its membership.

Methods of Selling Wool

During the first 2 years of its operation the National Wool Marketing Corporation employed a sales agent on a commission basis until it could operate its own sales department. At the beginning of 1932 the organization took over the warehousing and field work of its sales agent, a step that resulted in substantial savings. Five years of operation have brought about many improvements in the practices of the association. More than 300 wool manufacturers and top makers in the United States are customers of the National Wool Marketing Corporation. The association markets its wool throughout the year as nearly as possible in accordance with mill demand.

The first operation in the merchandising of wool is the making of a substantial advance on each clip in the country, based on a field appraisal at the time of delivery. Although this appraisal is designed

merely to arrive at some basis for a reasonable advance to the grower, every effort is made to obtain as accurate an appraisal as possible.

Upon arrival in Boston each clip is again examined and appraised for shrinkage, grade, color, style, condition, and other factors that influence value. If the clip is an original-bag consignment, a substantial part is examined by expert wool men to determine the "line" into which it is to be placed for sale. If the clip is a grading clip, each fleece goes over the grading table and is placed in the proper selling "line." It is upon this Boston appraisal that each grower is given credit for the grade, quality, and type of wool in his clip. Having been placed in its proper "line", the clip is ready for sale. Wool is sold direct to mill consumers by experienced salesmen. Each "grading line" or "original-bag line" is displayed by spreading out samples in large, well-lighted showrooms. Every effort is made to show each clip to the best advantage.

Three principal methods are employed by the National Wool Marketing Corporation in merchandising its wools. Numerous clips are sold in original-bag lots and only such wool is graded as, in the opinion of the Corporation, will net the grower increased returns above the grading cost. As already indicated, much of the wool of the territory associations is sold in this way. Another method of sale is that used by the fleece-wool associations, which sell their wool in separate pools independent of each other. The third method, the unit marketing plan, is followed, for the most part, in the sale of the territory wools. Under this plan when sufficient wool has been sold, values are established, based on current marketing prices as of a certain date and on sales that have been made for each grade and type of wool. These are called yardstick values or prices and represent as fair a relative scale of value as it is possible to obtain. The value of each grower's clip is then determined in cents per grease pound, based on its individual merit, including shrinkage and grade.

As soon as each clip has been accurately appraised as to grade, shrinkage, quality, and all other conditions, and its value established, a statement of participation is sent each grower, showing the appraised value of his wool, as well as all deductions such as advances, freight, commission, and individual interest to date. If, after the wool has been appraised in Boston, it is found that the country appraisal was too conservative, an additional advance is made. For example, a grower who had received an advance of only 55 percent of the total value when he was entitled to 65, would be given an additional 10 percent.

When the total clip has been appraised according to actual market values, the ratio of the appraised value of each grower's clip to the total appraised value of all clips is determined. When all the wool in the plan has been sold, each clip shares in the total sales proceeds

according to its proportion of the total appraised value. If there is a rising market and the wool is sold for more than its appraised value, each participant in the plan receives his proportionate share of the increased return. Likewise if total sales are less than the full appraised value, each clip participates in the decreased valuations on its respective percentage basis. It is claimed that under the unit marketing plan the grower is not penalized because his individual clip happens to be sold at the low point of the market. In addition, interest and storage charges are prorated to all growers in the plan after the common date upon which the "participating statements" are issued.

SOME SERVICES OF WOOL COOPERATIVES

Previous to the operations of the cooperatives, it was quite generally the practice of private dealers to buy wool at a flat price instead



FIGURE 19.—GRADING WOOL IN THE WAREHOUSE OF A COOPERATIVE WOOL MARKETING ASSOCIATION.

Each fleece is handled by an expert who determines its grade by noting fineness of fiber and length of staple. The fleece is also placed in a selling line according to shrinkage and color.

of paying a premium for quality or making any allowances for wool put up in better condition. It is believed that the operation of the cooperatives has done much to cause private dealers to abandon these practices. Growers who market through a cooperative association are paid according to the grade and quality of fleeces which they deliver (fig. 19). Cooperative wool-marketing associations assemble their wool for sale in lots of uniform quality (fig. 20).

Wool growers have received substantial benefits through the activities of their cooperative organizations in getting freight-rate reductions on wool, additional storage and transit privileges, and

changes in demurrage regulations. It is claimed by many growers and association officials that the presence of the cooperatives in the field has unquestionably been a strengthening influence on prices paid to farmers by local buyers. There also has been considerable reduction in the cost of marketing wool from the grower to mill consumers during the past 5 or 6 years. While these reduced costs may be partly the result of general economic conditions, it is believed that the wool cooperatives are justified in taking no small amount of credit for the reductions brought about.

Large wool-marketing associations have a number of advantages in selling. They are able to maintain sales offices in Boston, the

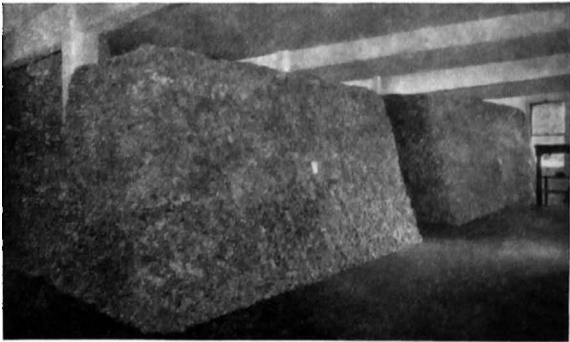


FIGURE 20.—GRADED WOOL IN A WAREHOUSE OF THE NATIONAL WOOL MARKETING CORPORATION.

Cooperatives place wools in attractive piles of uniform grade and quality for inspection of buyers.

principal wool market in the United States, which gives them direct contact with mill buyers. Because of the quantities of wool handled by the large wool cooperatives, mills can purchase their raw-wool needs in any quantity and quality desired. As a result, many mills have come to depend upon the cooperatives for their supply. Several hundred manufacturers, of both woolen and worsted, are customers of the cooperative associations, and growers marketing through large associations have the advantage of having their wools offered to every class of mill consumer. The sales offices of these associations are at the services of their growers each business day throughout the year.

COOPERATIVE MARKETING OF OTHER FARM PRODUCTS

IN ADDITION to the major commodity groups, farmers have organized cooperative associations for the marketing of a number of other farm products. It is hardly practical to include here a discussion of all of these commodities or to attempt to give complete information on any of them. The following discussion gives some indication of the extent and variety of these cooperative enterprises. Among the farmers' marketing organizations not otherwise mentioned are associations for marketing cut flowers, ferns, bulbs, nursery stock, broomcorn, peanuts, soybeans, teasels, and furs; for turning grapes into wine; manufacturing starch from potatoes; and operating seed warehouses. An association in Puerto Rico, with approximately 1,000 members, is engaged in marketing coffee and in purchasing fertilizer and insecticides.

RICE

There are three cooperative rice marketing associations in this country at the present time; 1 in California, 1 in Louisiana, and 1 in Arkansas. These three organizations normally handle each year from one-fourth to one-third of the Nation's rice crop. During the marketing season 1934-35 they sold approximately 500,000,000 pounds of rice, or nearly 30 percent of the total crop. Two of the associations operate mills and market clean rice, while the third handles rough rice only.

The American Rice Growers Cooperative Association, with headquarters at Lake Charles, La., was organized in 1921 and reorganized in 1928. The association had in 1935 about 1,200 members and operated through 13 local offices, 6 of which were in Louisiana, 6 in Texas, and 1 in Arkansas. The organization sold in 1934-35 about 2,075,000 barrels of rice, with a total value of \$6,270,600. In addition to handling rice, the association buys supplies, mainly bags and twine, for its members. The marketing agreement is for a 10-year period, with the privilege of withdrawal during a specified period each year.

The managers of the local offices act as sales managers for the grower-members located in their districts. The customary practice is for the local manager to announce the dates on which sales are to be held and to display on tables in the sales room samples of the lots offered. The mill buyers examine the samples and submit sealed bids. The bids are submitted to the growers for approval before acceptance. The local association deducts from the proceeds of sales 2 cents per barrel of 162 pounds of rough rice, for the maintenance of the central office at Lake Charles. The central office handles the grading of the

rough rice, coordinates sales policies, arranges commodity financing, and issues a weekly report to members on market conditions and sales through the association.

The Arkansas Rice Growers Cooperative Association, Stuttgart, Ark., was originally organized in 1921 and reorganized in 1926. The association is a nonstock cooperative organization, and has around 400 members. Three rice mills are operated—2 at Stuttgart and 1 at De Witt. The association maintains its own selling organization and sales are made through brokers and direct to mills. Members are paid about 75 percent of the market price of their rice on delivery at the mills. Some export business is handled. During the 1934-35 season the association handled about 37,271,000 pounds of rough rice.

The Rice Growers Association of California, Sacramento, Calif., was organized in 1921 as a nonstock cooperative, for the purpose of financing and promoting an orderly distribution of the California rice crop. During the early years of the association it handled only rough rice, which was sold to commercial millers at a minimum price fixed by growers. In 1930 the association acquired a mill of its own and since that time has been engaged in milling and the distribution of clean rice. Since this cooperative was organized in 1921 it has handled approximately $2\frac{1}{2}$ billion pounds of rice, or an average of about 167 million pounds per year.

DRY EDIBLE BEANS

At various times during the last 20 years cooperative bean-marketing organizations have been formed in all of the principal commercial bean-producing sections of the United States. Commercial producing sections of this country may be divided roughly into four principal areas, as follows: The pea-bean area, including Michigan and New York; the Great Northern area, including Idaho, Wyoming, and Montana; the pinto bean area, including Colorado and New Mexico; and the Pacific coast area.

In Michigan, 17 local bean-growers' organizations have united to form a federation under the name of Michigan Bean Growers, Inc., with headquarters at Lansing, Mich. Neither the locals nor the federation actually handles beans. The federation has a marketing agreement with the Michigan Elevator Exchange, a farmers' grain-marketing cooperative, which acts as sales agency on a commission basis. Each grower-member delivers his beans direct to one of the exchange's local elevators.

In New York growers are marketing beans cooperatively through the Grange League Federation, Inc. The beans are handled through the local service agencies of the cooperative. In 1931 a subsidiary organization, under the name of Cooperative G. L. F. Marketing Corporation, was formed to facilitate this program. In 1935 the

name of this subsidiary was changed to Cooperative G. L. F. Bean Marketing Corporation.

In the great northern bean-growing area, the Big Horn Cooperative Marketing Association of Basin, Wyo., is handling beans on a pool basis for its members. This cooperative has been operating since 1922 and in 1934 consignments by growers totaled almost 4,000,000 pounds. So far as is known, there is very little cooperative marketing of beans in the pinto area at the present time.

The California Lima Bean Growers Association, with headquarters at Oxnard, Calif., is probably the oldest of the present active bean-marketing cooperatives. It is a federation of 19 local organizations which are incorporated under the cooperative laws of California. The federation was formed in 1916 as the successor to the Lima Bean Marketing Association which was organized in 1909. The total grower-membership of the present federation has varied from 700 to 1,200 and is now estimated to be about 850. Membership is restricted to persons actually engaged in the production of lima beans. The overhead organization acts as a central sales agency, receiving grading, and selling the beans, which are handled on a pool basis. The annual volume of business handled by the federation has varied from \$2,000,000 to \$5,000,000, depending upon the price of beans, as well as upon the number of bags handled. In 1934 total sales by the association approximated \$3,000,000.

FORAGE CROPS AND SEEDS

Available records show that some 30 farmers' cooperative marketing associations are engaged primarily in marketing forage crops and forage crop seeds for producers. The total membership of these associations is estimated at 7,000 producers and the total annual volume of business handled at about \$2,000,000. Forage crops handled include alfalfa hay, straw, Bermuda grass, and purple vetch. Seeds handled include alfalfa, clover, red top, lespedeza, orchard grass, bluegrass, and sweet clover. The cooperatives handling hay crops are confined mostly to the Western States, while those handling seed are more widely distributed and are operating as far east as Kentucky and Illinois.

Alfalfa is the principal type of hay marketed cooperatively. Among the associations handling this farm product is the Riverside Alfalfa Growers Association, Riverside, Calif., organized in 1921. The association provides both selling service and trucking service for its members, the latter for the purpose of reducing transportation costs. The association serves 100 grower-members, and during the 13 years, 1922-34, handled an average annual volume of 12,850 tons.

The Egyptian Seed Growers Exchange, Flora, Ill., was organized in August 1923. In 1934 the Exchange Warehouse Association was established as a subsidiary. Machinery for cleaning was also installed.

This association is engaged in the processing and marketing of red top and timothy seed for its members. Advances are made to members on delivery of seed. When all seed has been sold, a distribution is made of the balance of the sales proceeds. This organization had, in 1935, about 2,300 members.

HONEY

The Cooperative Division has record of five active farmers' associations which have as their principal business the marketing of honey and beeswax and the purchase of beekeepers' supplies. Two of these are located in Colorado, one in Iowa, one in Arizona and one in the State of Washington.

The oldest of the honey-marketing associations is the Colorado Honey Producers Association, Denver, Colo. This organization was formed in 1897. Its present membership is about 250 producers.

The largest of the honey associations, as measured by amount of business, is the Sioux Honey Association, Inc., Sioux City, Iowa. This organization began business in 1922 as a capital-stock cooperative with 5 members. It has continued to grow in membership, capacity, and volume of business. In 1934 it had 24 members, who represented the larger honey producers in the territory served by the association.

The association has developed an effective and rather extensive merchandising organization. It has representatives in eastern and southern markets. It has been very active in developing its own retail-sales outlets rather than depending upon a wholesale market. Most of the honey is sold under the brands of the association. The major business of the association is in extracted honey, which is put up in glass jars for the retail trade.

On most farms honey production is a side-line activity and is of minor importance. Only commercial producers are likely to supply the steady volume of product necessary to support a strong cooperative. Records of present active cooperatives and of certain cooperatives which are no longer active seem to indicate that in most regions it is necessary for a honey-marketing cooperative to serve a wide territory in order to have a membership with a sufficient volume of honey to enable the association to function economically.

MAPLE SIRUP

Cooperatives handling maple sirup are confined mainly to the States of Vermont and New York. Records show 4 active associations, 3 in Vermont and 1 in New York. It is estimated that slightly more than \$200,000 worth of maple sirup and maple sugar was handled by these cooperatives in 1934.

The largest of the maple-sirup organizations, as measured by amount of business, is the Maple Producers Cooperative Association,

Inc., with headquarters at Gouverneur, N. Y. During the 1935 season this association had about 400 members and processed approximately 60,000 gallons of sirup. It operates at Gouverneur a processing plant with a capacity of 6,000 pounds of maple sugar per day.

The largest of the Vermont associations is the Vermont Maple Cooperative, Inc., of Essex Junction, Vt., which has about 200 members. It is engaged in the processing, warehousing, and marketing of pure maple sirup. A cash advance is paid to producers at the time the sirup is delivered. In 1935 the association handled 745,400 pounds of maple sirup which was sold through several thousand retail stores as well as direct to consumers.

CANE SUGAR AND CANE SIRUP

Four farmers' cooperatives are engaged in the manufacture and sale of cane sirup, sugar, and molasses in Louisiana. These are Glenwood Cooperative, Inc., Napoleonville; Magnolia Sugar Cooperative, Inc., Houma; Helvetia Sugar Cooperative, Inc., Central; and Waterford Sugar Cooperative, Inc., Killona.

These cooperatives are relatively new; the one at Napoleonville was formed in 1932 and the other three in 1934. The associations, which had a total membership of 110 cane growers in 1934, owned and operated sirup and sugar plants valued at approximately \$600,000. These associations are organized with capital stock and sell practically all of their product through brokers on a commission basis. Advances are made to each member for the cane delivered and payment in full is made after the sale of the products. These four cooperatives ground during the 1935 season 169,829 tons of cane, and manufactured therefrom 21,600,000 pounds of raw sugar; 361,800 gallons of sirup; and 973,900 gallons of molasses.

SUGAR BEETS

There were 16 active beet growers' cooperative bargaining associations in the United States in 1935. Three of these are located in Colorado, 3 in Idaho, 2 in Montana, 2 in Nebraska, 2 in California, and 1 in each of the following States: Michigan, South Dakota, Washington, and Wyoming. These associations represent more than 25,000 beet growers and are maintained for the purpose of bargaining with manufacturers of beet sugar as to the price which will be paid producers for beets.

In 1930 the National Beet Growers Association was organized with headquarters at Greely, Colo. This is a federation of local bargaining associations and was formed to encourage better methods of production and marketing. The Federation also takes an active interest in legislation pertaining to the sugar-beet industry.

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