

MEMBERSHIP RELATIONS

OF

COOPERATIVE
ASSOCIATIONS.

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Membership Relations *of* Cooperative Associations

*Some Methods and Costs
of Membership Contacts*

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FARM CREDIT ADMINISTRATION

Cooperative Division

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Membership Relations of Cooperative Associations

*Some Methods and Costs
of Membership Contacts*

Introduction

A cooperative association may have a good balance sheet and a good record of performance in its field of activity but, until its members feel a sense of responsibility for and ownership of the association, it will have a foundation unlikely to withstand a period of adversity. Without such a feeling of ownership and responsibility on the part of its members, some of them are likely to look upon the cooperative as just another buyer of farm products or vendor of supplies and services.

A COOPERATIVE cannot be said to have truly succeeded when it has merely obtained a volume of business sufficient to make a creditable showing, unless its members have developed a feeling of responsibility and ownership. A number of cooperative associations have, in the past, obtained adequate volume and a creditable membership list but have suffered from rapid turnover in membership and later have had unhealthy internal conditions develop, which seriously embarrassed or crippled the effectiveness of the organization. Several large associations have spent great sums of money, sometimes as much as their total marketing expense,¹ in "field service work", in forcing deliveries on members' contracts or importuning producers to deliver or purchase from the cooperative—without building a permanent membership or a group solidar-

¹American Institute of Cooperation. AMERICAN COOPERATION, 1933, p. 232.

ity such as are essential for successful cooperative endeavor.² Only a few associations seem to have developed successfully a technique of promoting united group action and means and methods of membership contact such as are necessary to healthy growth and permanent success.

Administration of a cooperative association may roughly be divided into two parts or functions: First, business administration, which includes financing, processing, and merchandising the commodities handled, and the supervision of credit and collections; and second, membership administration, which includes the maintenance of agreeable human relationships. Success in either of these functions may be achieved with comparative failure in the other function and consequent disaster to the cooperative association. No amount of organization, membership contact and education is a substitute for sound business administration; nor is sound business and financial administration sufficient to make a healthy cooperative association.

Members, of course, are interested in the financial returns that result from patronizing a cooperative association, but until the members feel that the organization is their own and take a pride in its achievements and further extension there will be a dangerous weakness in its foundation. So long as a cooperative is financially successful and returning more money to the members than its competitors are to nonmembers, the management may be indifferent to its membership responsibility. When difficulties arise, however, members may withdraw their support unless their conception of their place in the organization has been developed to such an extent that they are willing to assume their share of responsibility, stand by the association and bring about the changes that are necessary.

There really are two stages in the organization of a cooperative association. The first stage is, of course, devoted to enlisting a membership which represents volume adequate to support the association. This is relatively easy to accomplish; there has been no dearth of farmer organizations. Many members join during this stage, and some of them with the idea of "trying the association" for awhile to see how they like it. Some cooperatives never get beyond this stage of development. They set up a mere shell of an organization and begin operation without adequate membership and patronage, starting off with a weakness that can never be overcome. Such organizations have usually languished for a period and have eventually been forced into liquidation. These ill-advised beginnings have, in some cases, been a reflection on cooperation in general, particularly in areas where there were no successful examples of farmers' cooperatives.

² Where not otherwise noted, statements are based on data collected by the Cooperative Division of the Farm Credit Administration.

Successful cooperation, however, seems to depend on a second stage of organization—that of mobilizing the membership for participation in the affairs of the association and for mutual contact between the individual member and the management. This second stage has frequently proved more difficult than the first, perhaps partly because it was assumed that the first stage was all that was necessary. Leaders concerned with any kind of group action, from the simplest luncheon club in a small town to associations composed of individuals scattered over several States, have found that it is exceedingly difficult—if not impossible—to maintain the interest of members without a program that gives a number of them something to do from time to time. From the standpoint of membership relations, this second stage of organization is a critical one. In fact, it may be continuous or recurrent so that its implications cannot with safety be ignored during the life of the association.

The tendency of individuals to follow some sort of leadership is a fortunate one for cooperative associations. This tendency emphasizes the importance of constructive and well-informed leadership because bad leadership may be equally effective in the wrong direction. A study of social, political, and economic organization activity reveals the ease with which public opinion can be molded and society organized into groups where individuals act and react very much alike. Our everyday life is filled with examples of the way in which individuals, groups of individuals, or institutions may be “built up” in the public mind by dissemination of information; that is, by propaganda.

The word “propaganda” has acquired an obnoxious connotation in America during the last few years, and has, in the minds of many, come to mean “insincere handling of the truth.” Information, however, must be disseminated in some way in order to reach the rank and file of society; and every economic institution is faced by the knowledge that its successful competitors are busy presenting their own side of the situation. No matter how well information may be spread abroad, however, most individuals tend to follow the example of other individuals in whom they have confidence. Successful political, social, or economic organization depends largely on enlisting and developing the support of individuals who are adapted to be leaders of other individuals and who are willing to devote time and attention to seeing that their potential followers actually follow.

With this and other related problems in view, the management of a progressive cooperative is ever on the alert for workable means of contact with members, economical yet effective educational methods and ways to make every dollar of the field service budget do the work of two. In the study of such problems the experiences of other associations in similar situations have been found helpful.

This study of membership relations of cooperative associations was undertaken with the idea of developing information that might be helpful to cooperatives in connection with these problems that are of fundamental importance to their success.

Data relating to means, methods, and costs of membership contact and educational work were compiled by selecting and visiting 50 relatively large cooperative associations in different parts of the United States. The organizations visited represent the principal types of organization set-up and associations handling the principal farm commodities. An attempt was made, however, to select, for the most part, associations that had been in existence for some years and that had acquired a background of experience which would be helpful to other associations. Three of the organizations included in this survey were purchasing associations, two others were service organizations, and all others were marketing associations.

A questionnaire in four parts—or so much of it as applied to a particular association—was used in collecting the data on which this bulletin is based. In a desire to “pool” the experience of the various cooperative associations, the identity of the organization used for illustrating any particular point or method is seldom mentioned. A number of the observations presented here did not come directly from this study but have been developed as a result of previous work on membership problems of cooperative associations in the United States.

Indications of Success Among Cooperatives

DOUBTLESS many indices of success for cooperative associations could be worked out. Authorities would disagree on the emphasis that might properly be placed on individual factors. There can be little dispute, however, that sound financial set-up and financial operating policies, skill in merchandising, and satisfactory membership relations are three of the foundation stones on which a long-time cooperative program must rest.

A cooperative must have a satisfactory financial balance sheet and capital structure adequate for the functions it is set up to perform. This alone, however, does not insure success in a cooperative association. A satisfactory balance sheet may be obtained at the expense of or by the sacrifice of the member. Anyone familiar with the history of cooperative associations for a decade or more can easily recall examples of associations that got into difficulties, or even ceased to function within 1 or 2 years after their respective balance sheets had shown adequate reserves and a generally strong financial position.

Skill in Merchandising Not Sufficient

Skill in merchandising alone is not sufficient to insure success for a marketing or a purchasing association. Some associations have exercised such skill in merchandising that their very success has provoked difficulties within the industry which were beyond the cooperative's ability to solve. Others are now laboring under conditions that have been aggravated by their own developments in marketing methods which encouraged equally efficient competition.

While sound financial structure and skill in merchandising are essential, they cannot make a successful cooperative association unless there is understanding and loyal support on the part of the members. In fact, the whole future of cooperative associations rests fundamentally on a supporting membership. Probably all students of cooperation can recall instances of associations that aroused in their members an almost fanatical loyalty to the principles for which the organization stood. This loyalty was often unswerving, even when the financial policies and practices were unsound and when there was notable lack of skill in merchandising. There are a few examples of cooperatives whose members "took punishment" from their own association, in the form of low returns or heavy assessments, because the members believed in the principles for which the association was fighting and were willing to make sacrifices to attain its objectives. Sometimes the members of such cooperatives later discovered that the objectives were unsound economically and, therefore, impossible of realization.

Loyalty Based on Understanding

Cooperatives are not really benefited by a blind or almost fanatical loyalty to the association, because members having such loyalty are not inclined to be analytical or to demand the economy and skill in administration that is essential to success. Loyalty based on understanding of the policies and problems and a feeling of ownership, resulting from participation in the affairs of the association, assist it in meeting its problems or facing any crisis that may later develop.

Members who feel no sense of responsibility for their organization may patronize it in fair weather but desert it at the first signs of storm. When success seems doubtful, they withdraw just as quickly as they would leave a private enterprise to which they had looked for marketing or purchasing services. Because difficulties are inevitable in any business, membership relations that will stand the stress and strain of changing economic conditions and periods of adversity are essential to permanent success. Information and participation are essential for building satisfactory relations.

There is little uniformity among cooperatives as to the means and methods used to maintain contact between the membership and management or in the expenditures per member for such purposes. Thus it would be difficult, within the limits of this study, to measure the quality of the difficult program carried on by the associations. However, there are some indices which appear to measure the results, though these must be used with caution and considered along with the efficiency of business administration. Among these, turnover in membership, that is, the withdrawals and the new members added, and the volume of business during a 5-year period, give some idea of how well the members of an association support it.

These factors do not, however, indicate how well prepared the organization may be to withstand internal dissension among the leaders, the attacks of opposition, and unfavorable economic conditions that may arise with respect to the commodity handled by the association. To measure these latter aspects, attention must be given to the content of the educational program; that is, whether it is giving sufficient information so that the members can judge of the efficiency of the organization irrespective of profits or returns and the extent to which local leadership and group solidarity are being developed. A study of the methods of contact and education should, at least, reveal whether the objective of the association in its field or contact work is only to get new members and to hold or increase volume of business, or whether it is to develop local leadership and to create within the rank and file of its members a feeling of ownership of the organization and responsibility for its success.

From the information gathered in this survey, it appears that those associations who, by means of local organization, make provision for members' participation in the affairs of the association and direct and encourage such participation, have developed greater loyalty and greater understanding among their members. What seems to be even more evident in such cases is the increased feeling of ownership of and responsibility for the success of the association. This has promoted participation in the selection of directors, attendance at the annual meetings and a common understanding of what the association is doing, the reasons for so doing, and the objectives yet to be realized.

Distinctions between Marketing and Purchasing Associations

There are a few fundamental differences between cooperative marketing associations and cooperative purchasing associations which it may be well to keep in mind in considering the problems of

membership relations in these two types of organization.³ The question may be raised whether it is not such fundamental differences that make members' contracts in purchasing associations relatively rare and the absence of members' contracts in large marketing associations equally as rare. Many marketing associations do not buy outright the products handled for their members but receive, grade, and market such products and then return to the members the proceeds less actual expenses and deductions for necessary reserves. In order to have authority incident to marketing the products of its members and making deductions for expenses and capital purposes, a contract defining the rights, duties, and responsibilities of the member and the association has been found desirable. For example, marketing requires financing, and borrowing on the commodity is often necessary. Where the commodity is not purchased, it is desirable that the member's contract specifically authorize such borrowing.

On the other hand, purchasing associations, as a rule, own or control the commodities they handle until they have been delivered to the members or other farmers. Therefore, the purchasing associations can pledge for collateral purposes without a contract and if they acquire the goods at a price which enables them to do business successfully, a contract with the member is of little importance. In other words, there seem to be very well defined reasons for the prevalence of membership contracts in marketing associations rather than in purchasing associations.

A marketing association also makes "forward" sales or pledges itself to supply a market outlet and might find itself embarrassed or even subject to penalty if a temporary disturbance should induce the members to neglect to deliver to the association. On the other hand, the purchasing association, which finds itself "stuck" with certain goods, can quickly make disposition of it without any interference from the members. However, purchasing and service associations, as well as marketing associations, find it necessary to maintain contact with members and develop a feeling of ownership and responsibility on their part, in order to prevent them from becoming indifferent and shifting their patronage to competitors for what may seem to be a temporary advantage.

³ Fuller description of the respective characteristics of marketing and purchasing associations will be found in the following bulletins: Knapp, Joseph G., and Lister, John H. COOPERATIVE PURCHASING OF FARM SUPPLIES. Farm Credit Administration Bull. 1, 92 pp., illus. 1935. And Fetrow, Ward W., COOPERATIVE MARKETING OF AGRICULTURAL PRODUCTS. Farm Credit Administration Bull. 3, 106 pp., illus. 1936.

Influence of Structure on Contact with Members

IT IS assumed that individuals acquainted with cooperative marketing are familiar with the differences between the principal types of organizations. Briefly summarized, the characteristics of the two principal types are as follows: (1) The federation is composed of local corporate units of which the individual producers are members. These maintain a degree of autonomy, and perform certain functions that are usually specified in the agreements between the members and the local association as well as in the agreements between the local unit and the central organization. (2) In the centralized type of cooperative, the producer holds direct membership in the central organization rather than in a local unit. The term "centralized cooperative", however, has been applied to those organizations covering a wide area as distinguished from a local organization such as a farmer's elevator or cooperative creamery, which draws its membership from a limited area. In recent years the line of distinction between centralized and federated types has become somewhat blurred because of changes that have developed in the administration and form of the associations commonly designated as "federations."

To the central organization of a federation, the local unit delegates certain functions which are to be performed by the central for all the local units. In some federations, the source of these delegated functions is a bit indefinite, and the units appear to serve more or less as branch offices of the central organization. In these groups, the central usually came into existence prior to the formation of local units or at about the same time as the formation of these units. Therefore the units may have little real autonomy.

Most of the federations included in this study, however, have delegated or permitted to the local units the responsibility for maintaining contact with producer members and keeping the membership informed of the progress and problems of the organization. This, of course, results in relatively small expenditures by the central organization for educational and membership-contact purposes.

Where the local units cover an area small enough so that the members come in frequent contact with the office and officers of the local association, little expense is incurred by the local association in keeping its membership informed as to what is going on in the local as well as in the central association. In small local associations the manager is personally acquainted with a large number, if not all, of

his members and if he is active in getting business he also knows the potential members that might be enlisted and the best method of enlisting their support.

The getting of new members and the contact with the present membership of small associations can usually be done by the local manager with the assistance of his local board of directors along with the routine of management and without spending any great amount of time or funds. The local association, being locally owned and controlled, usually inspires a certain degree of community spirit and community pride and is more readily supported by individuals in the community than an organization more remote from the life of the community.

Some Problems of Federations

Where a local unit has existed prior to the formation of a central organization, sometimes there is a disposition on the part of the local unit to take independence a little too seriously and to develop a spirit that makes difficult the degree of cooperation between local and central management that is best for the welfare of individual producers. Local managers are sometimes jealous of their prerogatives as managers and resent a comparison of their efficiency with that of other local managers. For example, several federations have attempted to introduce a uniform system of accounting among the local associations so that the cost of operating locals could be readily ascertained by members of all locals, and have found the introduction of such uniformity strenuously opposed by some local managers who feared that it might be followed by rating of local managers. Such a rating, of course, is desirable from the standpoint of the central as well as from the standpoint of individual members, but a local manager could not be expected to be enthusiastic about such a rating, unless he felt sure that he would make a favorable showing by comparison. It is true also that certain intangible factors in management and conditions are difficult to rate with fairness.

The natural desire of every individual to hold his job and be as free from criticism as possible also tends to encourage local managers to "pass the buck" to the management of the central organization or to offer the management of the central organization as an excuse for any dissatisfaction that may have arisen among his own members. For example, one of the standards by which an individual member measures the profitableness of membership in an organization is a comparison of the returns obtained by marketing through the organization with the returns received by nonmembers.

If the cost of operating the local association is out of line, the individual member may have been given insufficient information to

enable him to place definitely the responsibility for the cost of marketing or purchasing through the central and local. Thus he would be encouraged to blame unsatisfactory returns on the central when, as a matter of fact, such unsatisfactory returns have resulted from the high cost of operating the local association. Few local managers can be expected to acknowledge this situation and still fewer can be expected to publish among the local membership the fact that unsatisfactory returns are due to high local expense. The natural tendency would be to keep silent when the local member attributes the unsatisfactory returns to the high cost or inefficiency of the central organization.

The central is, therefore, just as vitally concerned in low operating cost of every member unit as it is in its own cost of operation. The members of a local association should have the same interest as the central organization in low operating costs, but sometimes it is necessary for a central organization to supply the information by which a local member may judge the efficiency of both.

Some Disadvantages of Centralized Associations

The members of a centralized organization are frequently distant from the main office of the association and have little or no contact with the management. Unless the organization maintains branch offices scattered throughout the territory, the opportunity for personal channels of information between the management and the membership is remote. Because of this fact, many centralized associations have developed field service departments under various names which are designed to keep present members actively supporting the organization and to obtain new members. Some centralized organizations have spent a great deal of money on such field service activity, yet have had difficulty in developing a spirit of ownership and cooperation on the part of their members. Where the field service department has been under the direction of a remote central office, members have sometimes been inclined to believe that the field service staff was dominated by the management and thus bound to defend and maintain it, irrespective of the wishes of the members. This has naturally weakened the effectiveness of the field service department. In some instances it has created hostility to the organization and particularly objection to the expenditure of funds for maintaining a field service staff which the members believed to be more concerned with perpetuating existing management than with reflecting the wishes and lack of satisfaction of the membership.

Advantages of Each Type of Organization

There are some advantages in centralized administration of a cooperative, particularly if the management and directors are familiar with the point of view of the membership. A uniform system of accounting can be established for all departments of the organization and comparisons may be made of the efficiency of the employees engaged in performing the same functions. This should result in maximum efficiency and in reasonably uniform and small costs for all the members, regardless of location. Centralized authority over the employees that come in contact with the membership prevents "buck passing." It thus enables the central office to compel a degree of cooperation which is not always obtainable from local managers who are responsible only to a local board and who pride themselves on the independence of the local association.

The federated type of organization has the advantage of local interest, ownership, and autonomy which theoretically inspire loyalty and bring the members into more intimate relation with the organization. Any reduction of costs in operation accomplished by a unit of a federation is immediately reflected to individual members; whereas, in the centralized organization the saving is shared by all offices of the association. This directness of results through the federation promotes attention of members and local directors to the detailed affairs of the local association and inspires them to take a more active interest in association affairs. The advantages of the centralized type can be obtained by federations only when there is complete cooperation between the units and the central. These results are improbable unless the central office of the federation exercises leadership that promotes uniformity and efficiency and at the same time maintains the advantages inherent in local leadership and local responsibility.

Some centralized associations have developed a field service which, by tactful leadership, has induced the branch offices to assume an active interest in developing the participation of the members at an annual meeting held at the branch office. This has developed a consciousness of the member's place in his association by acquainting him with the details of the association to such an extent that he is able to make comparisons between the present year's operations and the operations of previous years.

Tendency of Practices to Break Down Types

It should be pointed out, however, that many of the advantages and disadvantages attributed to centralized and federated types are often more the result of practices that have grown up with the

associations. Conditions that existed within the associations and the methods used by the management to meet these conditions have often created the advantages or disadvantages that now exist for the different types of associations. What was adopted with grave hesitation to meet existing conditions has, in some instances, been proven by later developments to be almost a beneficial inspiration. In other instances, actions that seemed prudent at the time have later been found breeding practices and conditions that had undesirable effects, but the pattern of procedure had become so definitely set that change was difficult.

Attitudes of Managers and Directors

A GREAT many studies have been made of members' attitudes in cooperative associations, but few, if any, studies have been made of managers' attitudes. A manager who is in sympathy with the members, however, is important in developing satisfactory membership relations. Even with such management it is necessary that dynamic policies looking to the development of satisfactory membership relations in the organization be employed. There is frequently a tendency on the part of managers and directors to overlook the building of membership loyalty which can be one of the greatest elements of strength in an association. This tendency on the part of managers can be traced to two sources. The manager of a cooperative has often had experience in a private enterprise and, therefore, has developed certain habits of thought and methods of procedure that tend to ignore the member and his place in a cooperative organization. There is also sometimes noticeable a tendency on the part of a manager who has long conducted the affairs of an association—sometimes has even sponsored it—to regard the association as his own private business and members as “evils that must of necessity be borne with.” Members have sometimes said of such managers, “they have forgotten for whom they are working and who owns the institution, when they are only the hired men of the organization just as the janitor, even though they may be more influential than the janitor.”

The Manager's Self-Analysis

In a study of membership relations in cooperative associations, no single factor of successful administration is more easily discovered than differences of attitude among managers. To make a detailed analysis of managers' attitudes would be a delicate undertaking because questions designed to develop and reveal their attitude would necessarily be very personal. Self-analysis is usually the most prof-

itable criticism, however, and with this idea in view, the following questions are suggested for the consideration of managers of cooperative associations:

1. Do you feel that you have a responsibility to lead and to develop the members' understanding?
2. Have you made provision in your organization for such leadership and development?
3. Is it your wish and purpose to lead the directors and members of the association to feel a sense of ownership in and responsibility for the association, or do you feel that it is better to have the membership indifferent and to "avoid stirring them up"?
4. Do you welcome and encourage constructive criticism from your members and board of directors?
5. Do your employees who come in contact with members feel that it is as much their responsibility to report to the management the attitude, opinions, and wishes of the membership as to explain and defend the policies of the association?
6. In what ways, if any, does your attitude toward your members differ from the attitude of the association's most ethical private competitor toward his patrons?
7. Do you seek to have your board of directors carefully consider the affairs of the association and the welfare of the membership before taking action on questions that come before the board?
8. Do you back up your convictions with action and aggressive leadership at the proper time, or do you wait to see which way the winds of opinion blow before expressing yourself?
9. As manager, do you countenance operating practices to which you would object as a producer member?
10. Are there any important facts about the conduct of your association which you feel should always be concealed from the members?
11. Do you see to it that the audit is prepared for the board of directors in such form that it reveals the true condition of the association?
12. Do you consider membership meetings of such importance that a great deal of time and thought is given to preparing information and figures for use at such meetings?
13. If you were only a member of the association, would you require more information than the average member has before you could intelligently perform the role of a loyal member?
14. Why are you the best man available for manager at your present salary?
15. Is the welfare of the membership the sole consideration in your every official action, or does personal interest sometimes overshadow consideration of the members' welfare?

16. Are you serving the association merely because it offers the best opportunity for income and satisfactory working conditions or because you also desire to make a contribution to the betterment of rural life?
17. Do you encourage directors to use their position to obtain from the association personal advantages and favors that cannot be enjoyed by all the members?
18. Have you conspired with any directors to perpetuate themselves in office against the will of the majority of their constituents?
19. To what extent is the employment of your relatives or relatives of board members permitted in the association?
20. To what extent are you surrounded by "yes" men?
21. Do your employees feel free to make suggestions to you that are in conflict with your expressed opinions, without fear of personal disadvantage to themselves?
22. Are you definitely training understudies to take your place and the places of your department heads in case any of you should retire or become incapacitated?
23. If not, are you seeking to keep yourself in "monopoly position" with the directors?
24. Do you cooperate with other cooperatives in your own field?
25. If your association is a part of a federation, do you cooperate heartily with the management of other member units and of the central organization?
26. Do you sometimes try to show how good you are by showing how poor the other fellow is?

Managers of local associations might also include these:

- (a) Do you make as much effort to get acquainted with your members and patrons and their way of thinking as you expect them to make in acquainting themselves with your ideas and the benefits of the association?
- (b) Do you show the same respect and courtesy to your members and patrons that you would expect from them toward you?
- (c) If you don't have adequate volume of business, is it because it doesn't come in or because you don't go after it?
- (d) If you were in business for yourself and made the same effort to promote your enterprise that you now make, how long do you think your business would last?

These questions relating to the attitude of managers will doubtless bring to mind other questions which a manager may find helpful in analyzing his own attitude toward his association and its members. They may also be helpful in assisting directors and members of an association to formulate an idea of the attitude that may reasonably be expected of a manager.

Leading Questions for Directors

Equally as important is the attitude of members of the board of directors toward the association and the position which they occupy. A manager may be ever so "cooperatively minded" but, if he has a few influential board members who serve for personal objectives of one kind or another, his role is indeed a difficult one. He can't be too aggressive in condemning the noncooperative conduct or self-seeking political objectives of board members, lest he lose his job and play right into the hands of board members whose objectives would be harmful to the association. He must lead without getting too far ahead of the thinking and the idealism of his board. He must present new standards without appearing to lecture his board of directors on their own follies and weaknesses. Like a minister of the church, he must deal tactfully with those self-seekers occupying official positions who would use the organization to protect vested interests or to prostitute honors and leadership to selfish ends at the expense of the organization they pretend to "serve."

Probably most directors of cooperative associations, however, are sincere in their desire to assist the association and to take seriously the position of trust and responsibility which has been conferred on them by the members. As a means of assisting directors and members of cooperatives to analyze and check the attitude of directors, the following list of questions may be helpful:

1. Do you take seriously your responsibility to represent the interests of the members and to direct the association for their maximum welfare? Do you loyally market or purchase through it?
2. Do you think it is desirable to have the members feel that they own and control the association? If so, do you resent it when they exercise that control by holding the directors responsible to them?
3. Do you believe the members are entitled to any information about the association for which they may ask?
4. Are you and your association attempting to inform the members as to their responsibilities, duties, and ownership so that they may give intelligent support and constructive criticism to their own organization?
5. If you had no more information than the average member, how intelligently would you support the association?
6. When you hear a complaint against your association, do you go to the bottom of it, accept it as true, or dismiss it as idle gossip and the natural evidence of members' "dumbness"?

7. In selecting or employing a manager, do you give consideration to the responsibilities involved and the training and experience required for the position, or do you consider primarily his relationship with you and your feelings toward him or how cheaply his services can be obtained?
8. Do you loyally support the manager in instances where association policies and decisions are contrary to the requests and wishes of an individual member?
9. A. Which loyalty takes precedence in your official acts—
 - (1) Loyalty to the association, its members, and affiliated associations;
 - (2) Loyalty to the manager or to personal friends; or
 - (3) Loyalty to some other organization whose interest you promote by being a director in this association?B. As a director of this association, how can you justify any loyalty except that described in item (1)?
10. Do you carefully analyze and consider the audit and the reports of the manager so that you can act on your own judgment?
11. Do you spend the association's money as carefully as you would your own?
12. Do you insist that the association have a budget and live within it?
13. Are you convinced that the association is operating as efficiently and economically as it should? If not, are you attempting to correct the situation?
14. Do you seek to be really qualified to act as a director of the association, or do you rely on the manager or some other director to lead you in your actions?
15. When you are doubtful about the wisdom of a policy, do you seek further information, or do you vote like the majority or the leader?
16. Are you using the association for personal, political, or financial ends?
17. Have you connived or traded with other members of the board for personal benefits or gratification of personal ambitions?
18. Do you consent to nepotism within the association?
19. Do you, as a director, try to manage the association and thus interfere with management, or do you recognize that the directors are responsible only for policies, and check up to see that policies adopted are followed and adhered to, leaving details to the manager?
20. Why do you like to be a director? If these reasons as stated frankly by you were broadcast to the membership, would you be embarrassed?

21. Do you believe that, as a policy, the association would be benefited by the introduction of new blood among the directors from time to time?
22. Have you tried to hold your place as director when there was considerable opposition to you? If so, was it in consideration of the association's welfare, for your personal ends, or for false pride?
23. Were you elected to the board because such election was an honor due you in the community, or because you were specially qualified to fill the position?
24. If your election was chiefly an honor, have you accepted it as a responsibility also, or do you feel that your moral support is all that is required of you?
25. Do you seek to have yourself placed on the association's pay roll at times?
26. Would you be willing to serve as director if you received no per diem?
27. A. Do you interfere with the fieldman in your district?
B. Do you give him hearty support and assistance when you have opportunity?
C. Do you expect him to fix your political fences and assist in your reelection?
28. In making decisions on policy, do you consider the welfare of your particular association, or your particular district, or do you also give primary consideration to the association as a whole?
29. Do you consider the welfare of neighboring cooperatives to the extent that you refrain from voting policies that may be harmful to them, unless such policies are vital to your own organization?
30. Do you, as director, give to the affairs of the association the same careful attention and observation which you give to your own affairs?⁴

⁴ The following citation from an Iowa court record shows the attitude taken by a State court on this subject: "It is his (a director's) duty to know what is being done by the executive officers or employees of the company and he cannot ignore and neglect these duties and then escape liability, or the corporation which he represents escape its liability by pleading the negligence of the directors. A director representing a corporation is conclusively bound to know those things which would be disclosed and which he would know had he given to the business of the corporation that reasonable attention and observation that a man of ordinary care and prudence would give to his own business under the same or similar circumstances. * * * It is quite apparent to our mind that this whole trouble grew out of the fact that no officer or director of the plaintiff company took sufficient interest in the affairs of the company to give it any personal attention. The board of directors met in a formal manner from time to time, listened to a report made by the manager and adjourned, going their several ways, and no member of the board of directors went to the office of the company and took the time and trouble to inspect the books, files, or other records of the office to ascertain what in fact was being done by the manager. They took it for granted that what the manager was doing was all right and they must now abide the consequences."

Watkins Grain Co., plaintiff, v. Fraser Smith Co., Emmet County, State of Iowa.

Influence of Directors on Membership Relations

THE DIRECTORS of a cooperative association are important factors in membership relations. They may contribute much to satisfactory conditions, or they may provoke unsatisfactory membership relations to such an extent that employees are forced to spend considerable time and energy correcting the attitude of members toward the association and the management. Sometimes directors are criticized for being rubber stamps. In other instances they are criticized for interfering with the details of management or for having themselves placed on the pay roll of the association.

All directors come in contact with at least some of the members, and their knowledge or lack of knowledge about policies and methods of operation may contribute much to the good or ill feeling which members have toward the association.

To the directors have been delegated the responsibilities of formulating policies to govern the organization and its management and of checking to see that these policies are followed. Directors therefore occupy a position of trust confided in them by the members. Any violation of this trust or failure to take seriously the responsibilities inherent in such a position tends to promote dissatisfaction among the members if not a sense of actual betrayal.

Directors of an organization of the federated type are usually directors or officers of local associations which are members of the federation and, therefore, report back to the local association after each meeting of the central board of directors. Thus, contact is maintained between the officers of the local association and the central association.

Relatively few directors of centralized associations included in this study attended meetings of the membership and reported on the progress and problems of the association. In eight associations where this is the practice, the directors were allowed mileage and other necessary expenses in attending meetings of the membership. Seven of these associations also allow the directors a per diem for attending such meetings.

Among the associations visited there was considerable variety as to the number comprising the board of directors. Most of the boards consisted of less than 20 directors. The number of directors of 47 associations in 1934 appears in table 1. These organizations had an average of 16 directors per association.

Table 1.—Number of Members of the Board of Directors of 47 Cooperative Associations, 1934

Number of directors per association	Number of associations	Number of directors per association	Number of associations
0-4.....	0	35-39.....	0
5-9.....	15	40-44.....	0
10-14.....	11	45-49.....	1
15-19.....	11	50-54.....	2
20-24.....	3		
25-29.....	1	Total.....	47
30-34.....	3		

Who May Be Directors

The current practice among associations is to require directors to be producers and members of the organization. A few of these producers were also men with other interests equal to or larger than their interest as producers. Out of the total of 750 directors, 11 were also bankers, 6 were merchants, 6 were lawyers, and 4 were active members of other professions in addition to being producers and members of the organization. Nine associations had a total of 33 directors who were not producers, while 38 associations had only directors who were producer-members of the organization.

Nine associations have what are commonly designated as public directors in addition to the directors chosen by the membership. The use of public directors became a rather general practice about 1920 among large-scale organizations, when it was believed that these organizations might approximate a monopoly position in their respective commodities. Public directors were expected to safeguard the interests of the public against any excessive increase in prices which might jeopardize the public interest. Later, such public directors were expected to represent the interests of agriculture as a whole and to give general farm organizations and the Agricultural Extension Service an opportunity to keep in touch with the current policies and practices of the association. In four associations the State director of extension or the commissioner of agriculture appoints the public directors and in three associations a public director is chosen by the members or by the board of directors.

A few associations permit general farm organizations to choose members of the board of directors but such directors are not designated as public directors. In a few cases the Farm Bureau, Grange, and other general farm organizations which have fostered the development of cooperative associations have been extended the courtesy of designating the directors. One large association permits 3 such organizations to nominate 9 of its 13 directors, thus leaving only 4 to be nominated by the members. Member control perhaps may appear to be somewhat remote in this case, but no evidence was found that this plan was unsatisfactory to the members and patrons. This is probably because almost every member and patron of this cooperative association was also affiliated with one or more of the three outside organizations, many of the members being affiliated with all three. Unless such affiliation with the outside organizations were general throughout an organization, it might be questioned whether this plan of representation would be so satisfactory as having the directors chosen directly by the members or stockholders of the cooperative association.

Length of Service

The election of the same men as directors year after year has been the occasion for criticism in some associations. An attempt was made to determine whether the length of term for which directors were elected had any influence on the length of directors' service on the board.

The associations visited in this survey seemed to be equally divided as to the practice of electing directors for 1-year terms or for longer terms. Twenty-four of the associations elected their directors for 1-year terms, 20 chose directors for 3-year terms, and 3 chose directors for 2-year terms.

It appears that choosing directors annually does not greatly diminish the average length of a director's service on the board, in relation to the age of the association. Among the associations electing directors annually the average length of service for a director was 5.32 years, and among the associations choosing directors for more than 1 year the average length of service of the present directors was 6 years.

Associations that choose their directors for a term of more than 1 year state that this practice was instigated to prevent too much turnover in the directorate and to provide a majority of experienced directors while new directors were becoming acquainted with the policies and routine operations of the association. It is a distinct advantage to an organization to have continuity of policies where such policies have been reasonably sound, and to have a system of

board elections which prevents agitators from capitalizing on an unsuccessful year's operation and placing themselves in a position of responsibility and control over the destinies of the organization.

Table 2 shows the tenure of directors of the various associations. It seems that the average service of directors is affected little, if any, by the method of election of directors in the various associations. This table also shows the weighted average number of years served by directors nominated and elected by members in districts, nominated and elected by delegates, and nominated and elected by members in the annual meeting.

Some dissatisfaction exists among members of organizations that have had comparatively little change in the members of the board of directors over a period of years. Members of such associations tend to feel that a self-perpetuating oligarchy is in charge of the organization. One manager of a centralized organization, made up of autonomous local associations, stated that he advised the local associations to introduce new blood on both the board of the central organization and the boards of the local associations by the practice of having a small portion of the directors replaced by new or inexperienced directors at 2-year or 3-year intervals. In this way when those directors who have served for longer periods of time and developed the organization to its existing state of efficiency are forced to retire, new and trained material will be available. Such short-term directors were designated as "float" directors.

A few associations reported that some dissatisfaction had arisen among the members because the president of the association had held office so long that it had come to be considered a life-time position. It is believed that only in the case of outstanding ability is the interest of the association served by retaining the same individual as president of the board continuously for a great number of years. Such a practice may tend to promote jealousy among the directors and resentment on the part of the members—a feeling that the "same old gang" is running the association's affairs without proper recognition of the ability and leadership of other individuals—unless there is a recognition of a particular individual's outstanding fitness for this position.

Keeping Directors Informed

Since directors are sources of information for at least some of the members, it is important that the directors themselves be informed regarding association affairs. Certain associations make a special effort to keep the members of the board of directors informed

regarding the action of the executive committee as well as the action taken by the board of directors at their regular meetings. Some other associations have made no provision for members or the di-

Table 2.—Average Tenure of the Present Directors of 47 Associations, 1934, and Method of Election

Average number of years tenure per director	Number of directors	Date of organization	Nominated and elected by --		
			Members in districts	Delegates	Members at annual meeting
DIRECTORS ELECTED FOR 1-YEAR TERM					
9.4	25	1901			X
8.4	30	1912	X		
8.3	18	1907			X
7.8	20	1916			X
6.9	15	1921			X
6.4	15	1922	X		
6.3	22	1921	X		
5.8	16	1922		X	
6.5	11	1916	X		
5.6	5	1926			X
5.2	9	1921			X
5.1	51	1917	X		
4.5	52	1915	X		
4.5	15	1924	X		
4.3	30	1924		X	
4.3	7	1923			X
3.9	15	1921		X	
3.4	7	1930		X	
3.3	14	1930	X		
3.2	32	1929	X		
3.2	15	1929		X	
2.6	12	1930	X		
1.9	11	1934	X		
1.9	10	1933	X		
5.3	457		12	5	7
DIRECTORS ELECTED FOR 2-YEAR TERM					
5.7	13	1920	X		
5.0	15	1925		X	
4.0	8	1922	X		
5.0	36		2	1	0

Table 2.—Average Tenure of the Present Directors of 47 Associations, 1934, and Method of Election—Contd.

Average number of years tenure per director	Number of directors	Date of organization	Nominated and elected by—		
			Members in districts	Delegates	Members at annual meeting
DIRECTORS ELECTED FOR 3-YEAR TERM					
10.1	24	1921	-----	X	-----
9.6	5	1917	-----	X	-----
9.2	9	1921	X	-----	-----
8.7	16	1917	X	-----	-----
7.2	13	1920	X	-----	-----
7.1	9	1919	X	-----	-----
7.0	5	1926	-----	X	-----
6.8	12	1916	-----	X	-----
6.4	7	1923	-----	X	-----
6.4	11	1924	X	-----	-----
5.8	9	1925	X	-----	-----
5.7	48	1918	-----	X	-----
5.7	7	1903	-----	X	-----
5.3	10	1922	X	-----	-----
5.1	9	1923	X	-----	-----
4.5	9	1923	-----	X	-----
4.4	18	1929	-----	X	-----
4.3	15	1921	X	-----	-----
2.2	8	1932	X	-----	-----
1.8	13	1933	-----	X	-----
6.2	257	-----	10	10	0
DIRECTORS IN ALL GROUPS					
5.5	750	-----	24	16	7

rectors to have an opportunity to review the proceedings of the executive committee nor of the board of directors.

Only eight associations included in this survey reported that the minutes of the meetings of the executive committee were mailed to the directors. The other associations depend upon having a report of the action of the executive committee made at the next meeting of the board of directors. The practice of not furnishing members of the board with detailed minutes of the meeting of the executive committee might encourage the practice, on their part, of approving the action of the executive committee without full understanding.

It certainly gives the members of the board little opportunity to consider the action of the executive committee carefully and formulate deliberate policies on their action. Difficulty has arisen in some associations from the policy of approval by the directors without mature consideration. This practice has caused the members of some associations to criticize the board of directors for delegating responsibility and power to the executive committee and abdicating their position in favor of this committee.

One of the greatest weaknesses in some associations grows out of the failure of the members of the board of directors to take the position of director seriously and to give it the attention and consideration which such a position requires for the satisfactory management of the association. Directors who come monthly, or less frequently, to a meeting of the board, which may consume only one day or a portion of one day, need rather full reports from the manager and heads of departments if they are to act intelligently in approving or criticizing the action taken by the management. If these reports could be furnished to the directors a few days in advance of the board meeting, each director could come to the meeting better equipped to transact association affairs.

Many directors are accustomed to come to board meetings with little or no idea regarding the business to be transacted and many board meetings are conducted in this same spirit of routine. In such meetings the minutes of the previous meeting are "read and approved" in a perfunctory manner. Perhaps the directors have really forgotten the details of some things that transpired in the previous meeting. After the minutes are "approved as read", the manager and department heads may make reports to the board.

These reports may be complicated or may be presented in such a way that it is impossible for all the directors to comprehend their full significance, although the reports may be "accepted and filed." Frequently directors, in their desire to shorten the time consumed by a directors' meeting, may pass over questions which they would like to ask in order to familiarize themselves with association affairs. Such boards of directors were criticized a few years ago in these words, "Some directors come to the board meeting with only one thing in mind—I am going to catch the 3 o'clock train back home."

In order to minimize criticism of this nature, and in order to keep the directors properly informed, some associations mail the minutes of the meeting to the directors within 2 days after the meeting. If the minutes are prepared in proper detail, they give the members of the board an opportunity to refresh their minds on the reports of the manager and department heads and any resolutions or motions passed. Where such a policy is practiced, the failure of a director

to be adequately acquainted with the action of the board of directors would be chargeable only to the negligence and carelessness of the director himself.

Unless directors exercise discretion in the use of the minutes of the board meetings or the possession of information gained at the attendance of board meetings, such lack of discretion may prove harmful to the association. Minutes seldom report in full what takes place at meetings and directors are often unable to report the complete background affecting decisions reached by the board. What is fragmentarily reported in confidence to members of his family by a director, may be passed on to others without the background and cause suspicion or alarm on the part of individuals having only part of the story. In truth, factionalism often has its birth in partial information distorted by a lack of background. Members of the board of directors should therefore be very careful about discussing association affairs with special friends or relatives that they would not discuss with the average member.

It is equally as important to acquaint the members of a board with the questions to be considered, in advance of a meeting. If the directors could receive the monthly or quarterly report of the manager or department heads and an agenda of the business to be transacted a few days in advance of the meeting of the board, they might be better prepared to handle the business intelligently. Such a policy would enable the members of the board to prepare themselves to transact association affairs less perfunctorily and with more knowledge of what their actions meant to the association.

Compensation for Directors

There seems to be no uniform practice among the associations included in this survey in regard to the compensation of the directors for either regular or extra service as director. A few local associations pay their directors for attending meetings of the local board of directors. Others pay only for attending the meetings of the board of directors of the central organization, where the central organization does not allow any compensation for attending its board meetings.

The compensation paid by the associations studied to their directors is summarized in table 3; the compensation paid to members of the board serving on the executive committee appears in table 4.

It will be observed that only three associations employ directors in directors' meetings on an average of more than 2 days per month, and only one association employs its directors in this capacity on an average of more than 1 day per week. The average number of days

employed per director is increased for some associations by the extra amount of time which directors located at some distance from the association's office consume in travel to and from directors' meetings. Compensation for the time thus spent seems as legitimate as payment for the actual time consumed at the directors' meeting.

Table 3.—Compensation Paid to Directors of 47 Associations for Attendance at Board Meetings

Paid per day	Number of associations	Number of directors	Time spent at board meetings and compensation received per director	
			Average number of days per year	Average annual compensation
\$0.....	9	179	14	\$0
\$3.....	2	24	8	24
\$4.....	1	16	12	48
\$4.50.....	2	66	6	27
\$5.....	12	187	9	45
\$6.....	2	16	6	36
\$7.....	1	12	34	238
\$7.50.....	3	26	6	45
\$8.....	3	54	4	32
\$9.....	2	31	6	54
\$10.....	8	94	12	120
\$12.50.....	1	32	6	75
\$16.....	1	13	15	240
Total.....	47	750	9.86	

Table 4.—Compensation Paid to Directors of 47 Associations for Attendance at Executive Committee Meetings

Number of associations	Amount paid per diem	Number of associations	Amount paid per diem
14.....	\$0. 00	3.....	\$7. 50
2.....	3. 00	3.....	8. 00
1.....	4. 00	1.....	9. 00
1.....	4. 50	9.....	10. 00
9.....	5. 00	1.....	12. 50
1.....	6. 00	1.....	{ Annual salary
1.....	7. 00		

Employment of Directors in Other Capacities

It is the practice in the majority of associations to have directors serve only as directors and not accept full-time employment from the organization which they are expected to direct. Out of the 750 directors, only 56 were found to be employed in any other capacity by the organizations they were directing or by affiliated local organizations. Eighteen of these 56 were employed as managers of local associations affiliated with a central organization. Twenty-six of the 750 were employed as officers of the cooperative they had been elected to direct, 22 as executives and 4 as fieldmen. Seven of these 22 executives served in one association. In 13 associations the president was an executive officer and received an annual instead of a per diem salary. Seven of these positions offered full-time employment; six, only part-time. In three of these associations, the president served also as general manager. In a few other associations, some of the directors served as part-time fieldmen.

Dissatisfaction, even resentment, has arisen among the members and employees of some associations because of the tendency of a few directors to have themselves placed temporarily on the pay roll and to abuse the per diem privilege in "working" for the association. Association managers interviewed on this subject reported that it was difficult to prevent abuses when the policy of permitting employment of directors was permitted or encouraged by the board. The manager of one association has been severely criticized for requesting individual directors to perform certain special services for which they received a liberal per diem allowance and traveling expenses. This manager has been credited with having built up a political machine by wise and somewhat generous dispensing of such "patronage." Directors who have been given such special assignments, with the consequent increased compensation, by the manager were often charged with being "yes" men, subservient to the will and wishes of the manager.

The manager of one large association made this remark: "Today one of my directors came into the office and said, 'Isn't there some special work that I can do for the association? I now have a hired man and can get away from home without any difficulty and would like to put in a month or two working for the association.'" The compensation allowed directors by this organization was more than \$7 per day, plus an allowance for mileage, meals, and lodging. It may readily be seen that such a farmer-director might obtain a hired man for much less than this to do the farm work, and thus use the association to make a profit on the transaction. Members may be expected to resent such racketeering on the association.

A few managers refuse to serve associations that employ directors in any capacity. It is obvious that serious administrative problems may arise when the members of the board of directors assume the role of employees of the association they are supposed to direct. Since their authority precedes that of the manager, they may seriously object to his supervision, even in matters for which he must assume responsibility.

The compensation received by each director of one association, for the various services performed, appears in table 5.

Table 5.—Compensation Received by Individual Members of One Board of Directors for Services Performed in Attending Meetings During a Calendar Year

Code letter of director	Executive meetings		Directors' board meetings		Association field meetings			Total compensation
	Per diem	Travel expense	Per diem	Travel expense	Per diem	Travel expense	Miscellaneous expense ¹	
A ¹						\$3,420.20		\$3,420.20
B ¹	\$23.00	\$31.18	\$223.00	\$221.53	\$200.00	302.41	\$10.43	1,061.00
C ¹	8.00	4.75	184.00	87.80	32.00		14.58	381.00
D ¹	20.00	22.10	222.00	199.85	98.00	80.10	2.55	623.60
E	28.00	39.41	199.50	222.84	628.50	403.42	5.10	1,025.77
F			222.50	124.37	210.00	66.50	1.70	628.37
G			136.00	83.34	32.00	9.32	4.00	264.66
H			256.00	168.01	56.00	23.70	4.06	607.78
I ²			145.50	62.62	192.00	196.81	.10	697.03
J ³			115.00	75.74	330.00	318.84	2.55	842.13
K			193.00	198.49	602.00	637.63		1,601.12
L ³			164.00	71.65	183.00	238.32		656.97
M ⁴			174.50	121.80	220.50	247.28	4.20	768.33
N			289.00	148.80	146.00	55.70	10.20	599.70
O			190.75	158.00	242.00	130.45		721.60
P			221.00	274.57	137.00	56.85	.79	690.12
Q			235.00	179.66	820.00	821.95	6.21	2,062.93
R			140.00	45.01		100.40	.75	287.16
S			123.00	156.30	601.00	435.95	34.97	1,441.22
T ⁵			148.00	113.14	96.00	218.62	2.25	677.11
U ²			183.50	155.10	169.00	292.15		799.75
V ³			228.00	201.36	217.00	298.77		945.13
W ⁴			88.00	32.61	128.00	220.61		479.22
X ⁴			52.00	89.75	111.00	99.25	1.10	323.10
Y ⁵			32.00	11.20	128.00	198.26		369.46
Z			72.00	53.75	88.00	49.85	1.50	264.40
AI			52.00	28.52				72.82
Total	79.00	97.39	4,239.25	3,208.71	5,807.00	8,931.75	108.29	22,471.49

¹ Phone, insurance, and other items.

² The president.

³ Made extensive trips to markets.

⁴ Served 2 months.

⁵ Served 5 months.

The amounts paid by one association to its board of directors for the services performed during a calendar year are shown in table 6. It will be noted that these directors received an average of more than \$2,000 each for service and travel allowance during the year.

Table 6.—Total per Diem and Expenses of 15 Directors for Services Rendered During One Year

Quarter	Directors' meetings		Committee work		Field work		Total compensation
	Per diem	Mileage and expense	Per diem	Mileage and expense	Per diem	Mileage and expense	
First.....	\$1,736.00	\$837.35	\$2,485.00	\$2,012.37	\$1,478.00	\$2,954.80	\$11,503.61
Second.....	602.00	296.90	2,435.00	1,390.63	1,064.00	1,430.08	7,219.21
Third.....	574.00	277.35	952.00	682.24	2,072.60	1,879.13	5,937.22
Fourth.....	651.00	320.40	825.00	2,017.92	2,006.00	941.10	6,851.42
Total.....	3,563.00	1,732.00	6,697.00	6,103.16	6,710.50	6,705.80	31,511.46

The collection of detailed data on the total annual compensation received by the directors in associations where it was intimated that abuses existed would have required more time than was available in connection with this study. It was discovered, however, that in a few cases where directors are frequently employed on a per diem basis with a mileage and subsistence allowance, the income received by certain directors was reported to be in excess of the amount received annually by these directors from produce marketed through the association. Such a practice betrays the trust and confidence imposed by the membership in the directorate, and impairs the confidence and respect of the membership for an organization permitting such a policy. It cannot be too strongly condemned. Members are inclined to blame the manager for such a situation, but it is difficult for a manager to interfere and at the same time retain the good will of his employers if the directors are uniformly guilty of such a practice. The responsibility for correcting abuses of this kind rests upon the members, whose will can be registered in the election of directors. Members, however, often do not have sufficient information regarding the association's operations to act intelligently in approving the service rendered by their directors.

The directors of some associations have been careless in supervising the expenditures of associations. One of the most common examples of such carelessness is that of permitting some member of the board to draw compensation for performing services which could be more economically performed by a regular employee of the association. Such an officer can claim a per diem for time put in on

the association's affairs every day when he comes to the office. For example, per diem expense of a director of one association, who served as treasurer, cost the association 16.5 cents for every check issued by the organization over a period of 8 months. Fortunately for cooperative associations, few directors are so careless in exercising the responsibilities conferred upon them by the members who have elected them.

The Member's Position in His Cooperative Association

THE IDEAL objective commonly expressed for cooperative associations is that they should be "farmer-owned" and "farmer-controlled." Many associations have achieved the farmer-owned feature, and there seems to be no question as to their being consciously farmer-controlled. In other cooperative associations, however, the fact of ownership is not so clear to the members. It seems natural that control should follow ownership and that the interest in controlling should be proportionate to the investment or the interest of the individual member in his cooperative association.

Bases of Members' Interest

Some authorities have maintained that the stock form of organization for cooperatives encourages a more active interest on the part of members than the nonstock form. The members' financial interest in stock cooperatives, however, may be less than the interest of members in a similar cooperative of the nonstock type, because the amount of the individual member's stock is relatively insignificant. For example, some cooperatives defined as the stock type have one share of stock, par value \$1, as a requisite for membership.

After all, the member's real interest in his cooperative association is proportionate to his patronage. Ownership should, therefore, be in accord with patronage, and perhaps control should be exercised in the same proportion. Because it has been recognized that investment frequently does not bear any relation to patronage, many stock cooperatives have provided that, regardless of the amount of stock owned, every member should have only one vote.

Some cooperative associations require comparatively little capital for operating purposes. Cooperative service and collective bargaining associations, for example, often need little capital to perform the functions for which they were set up. In some cases stock cooperatives have issued little capital stock and depend on borrowing from

different sources the capital that is required for operation. A few, unfortunately, are not making provision for the members to contribute any considerable amount to the capital structure of the organization. On the other hand, some nonstock cooperatives issue certificates of indebtedness or certificates of equity in a revolving fund which gives the individual member a much larger equity in the capital structure of the corporation than he would have as the holder of a nominal amount of stock, as in many stock-type cooperatives. In other cooperatives the members contribute capital indirectly by waiting a definite period for returns on the commodity marketed through the association.

Some cooperative associations have a stock form of corporation because, at the time of their organization, State laws did not provide for the organization of nonstock cooperatives. In a few others, the stock form, with the minimum requirement for capital contributions from the membership, has been used, apparently, on the theory that the producers would hesitate or would be unable to make a larger investment in the capital structure of the organization. It seems thoroughly tenable that producers in one part of the country should be as able and willing to invest in the capital structure of their organizations as producers in other sections, where such an investment has been made a part of the obligation of membership in the cooperatives. However, there is no gainsaying the fact that members of a cooperative association are perfectly willing to have someone else assume the risk inherent in the capital structure of any organization, and are even willing to avoid the risks attendant to marketing. "The attitude of the member toward the cooperative too often is not that of a willing contributor of capital, but of a seller of commodities who wishes to place the maximum risk upon the association with the minimum upon himself. Too often the management acquiesces in that view."⁵

The manner in which representative cooperative associations carry the capital structure on the balance sheet, the source from which capital is derived and the provisions contained in the bylaws, articles of incorporation, or membership agreements for allocating to members their share in the capital held by the associations are shown in table 7.

It will be noted that some of these typical associations have no stock outstanding; that in certain instances nonstock cooperatives afford provisions for individual members having, under the designation of certificates of interest or certificates of indebtedness, a greater stake in their organization than the stock form of organization would provide. It will also be noted that a few associations have consid-

⁵ Bomberger, F. B.: COOPERATIVES CAN BE FINANCED BY THE COMMODITY. *Cooperative Journal*: 9 (4), p. 141, 1935.

Table 7.—Financial Set-up of 12 Typical Cooperative Associations

Code letter of association	Common stock outstanding	Certificates of interest outstanding	Certificates of indebtedness outstanding	Surplus	Surplus reserve	Total capital owned	Working capital "retain" per unit made by association	Evidence of "retains" issued or credited members	Provision made for distributing surplus and reserves on basis of patronage	
									Currently	In case of liquidation
A.....	\$54,000.00	\$860,952.26				\$914,952.26	Not to exceed 1/4 cent per pound of butter.	6-percent certificates of indebtedness.	Yes; every 2 years.	Yes.
B.....	313,920.00			1 \$2,300.40		316,220.40	By fixed commissions....	None.....	Yes.....	Yes.
O.....			\$11,020,238.24	1,000,302.02		12,110,540.26	Certificates of indebtedness to be issued; 7 cents per 100 pounds of milk.	5-percent and 6-percent certificates of indebtedness.	Yes.....	Yes.
D.....				432,570.22	\$41,637.34	474,210.56	Not to exceed 1 percent of resale price.	None.....	Yes.....	Yes.
E.....				205,047.57		205,047.57	Not to exceed 2 percent of resale price.	None.....	As directors see fit.	As directors see fit.
F.....	100,218.73			263,714.68		372,933.31	10 percent of earnings until reserves are 50 percent of stock.	None.....	Yes.....	Yes.
G.....	352,970.00				60,682.00	422,652.00	As determined by directors.	4-percent stock.....	Yes.....	Yes.
H.....	26,267.57	22,308.35		2,388.11		50,964.03	As determined by directors.	None.....	Yes.....	Basis of shares of common stock held.
I.....	56,247.90		430,791.97			492,039.87	A percentage as determined by the directors.	Yes; certificates bearing interest.	Yes.....	Yes.
J.....					\$670,335.20	670,335.20	Assess expenses in amounts determined by directors.	No.....	No.....	No.
K.....	50,200.00	1,008,642.00		251,982.27	\$446,657.24	1,517,437.51	Yes; percent.....	Yes.....	Annually, at discretion of board.	No provision.
L ¹	2,040.00		\$ 13,332.00	4,470.00		20,742.00		No.....	No.....	No.

¹ Membership fees.

² Certificates to be issued at end of fiscal year.

³ Withdrawing member forfeits all equity in the association.

⁴ "Net operating revenue."

⁵ A local association.

⁶ Accounts payable

erable surpluses or reserves for which individual members have no evidence of interest and which are solely the property of the associations. One association has obtained most of its operating capital from its members and patrons by means of postponing the date of payment for products until after they are sold.

The member's interest in his cooperative association has a direct relationship with the volume of his patronage. For this reason, cooperatives should make some provision whereby each individual member contributes to the capital structure according to his volume, and whereby reserves and stock, or certificates of interest, would be credited to the members on this basis. Specific provision for rotation and redemption of stock or certificates insures that the equity and reserves of the association will be credited to the users of the organization rather than that an untouchable surplus will be accumulated which is solely in the hands and under the control of the corporation; that is, under the control of the management and the directors.

Reserves, however, should always represent sound assets and members should be given a true and correct statement of the financial condition of the organization, so that they will not be encouraged to expect redemption of their share of reserves previously lost or expended. "Deferred organization expenses" which have been set up by some associations as assets credited to reserves, have later proved a source of embarrassment when the members claimed repayment of such reserves.

It may well be questioned whether some cooperative associations are not unconsciously discouraging membership interest and participation, as well as individual loyalty and membership consciousness, when they build their capital structure out of reserves or earnings which become solely the property of the corporation, without issuing any certificates of ownership to individual members. It is possible for cooperatives, over a period of time, to accumulate from earnings reserves sufficient to serve for ordinary capital purposes and thus to become almost independent of the membership. This condition is unhealthy because it tends to induce the members and patrons of the organization to regard the corporation as a self-sufficient oligarchy. Members will not support it, no matter how semibenevolent it may be, to the same degree that they would support an organization in which they had a feeling of ownership and control. The advantages of having a membership bound more closely to the organization because of increased financial interest in it may well be considered.^o

^o Robotka, F. Iowa Agricultural Experiment Station Bull. 321, MEMBERSHIP PROBLEMS AND RELATIONSHIPS IN IOWA FARMERS' ELEVATORS. 1934. See pp. 172-173.

A few large cooperative associations have recently become acutely conscious of the difficulty growing out of this situation. They are taking steps to correct such lack of interest on the part of members and patrons and to foster a closer relationship between the membership and the organization. Corrective measures, however, have so far been confined principally to meetings, where members and patrons were told more about the affairs of their organization. It may well be questioned whether such "telling" is as effective as the development of some system of allocating to the individual member his part of the capital investment and of redeeming it from time to time, as excess reserves and capital funds are accumulated.

Changes in the capital structure and in the method of allocating ownership in the assets of the association are usually resisted by the management of cooperative associations. Local conditions, the opinions of local promoters, and especially the views of legal counsel, are usually responsible for the form of the capital structure, as well as for the general plan adopted by a cooperative at the time of organization. When a cooperative has operated a few years the pattern tends to become set. For example, the very suggestion that an organization should omit the payment of patronage dividends for 1, 2, or 3 years so that it might strengthen its capital structure and so that the individual members might accumulate a respectable share of ownership in the organization, often makes the management nervous lest the members fail to support such a program. Under such conditions it is difficult to undo the damage which may have been done.

One of the most successful cooperatives included in this study has a membership of about 15,000, and a net worth of more than \$4,000,000. The individual member has an average equity therein of \$289.76. This equity is in the form of stock, although for practical purposes it probably might as well be in the form of certificates of equity or certificates of interest. Each member using the facilities of this organization makes the same contribution per unit to the capital structure that members using the organization made 10 years ago. As the capital structure becomes larger than necessary for the needs of the organization, the oldest outstanding stock is redeemed, while new stock is issued annually. This organization has no outstanding stock more than 4 years old.

This organization may be contrasted with another which has about \$1,000,000 in preferred stock and a total net worth of a little more than \$4,000,000, more than one half of which is listed as "earned operating capital reserve." The question may be raised

whether the members of this organization have any feeling of ownership in this \$2,000,000 "earned operating capital reserve", or any expectation of its ever being returned to the patrons whose business enabled the organization to accumulate such a fund, when it is replaced by "earned operating capital reserve" from more recent business transactions. Will the existence of this reserve increase the tendency of the officers of this organization to feel that, with this relatively large capital nest egg, the "association" (or the management) is relatively free from the interference of the members and capable of self-perpetuation? Will the members and potential patrons feel the same way toward the organization and become more particularly inclined to refer to it as "they" instead of as "we?"

On the other hand, an adequate capital structure is by all means desirable, and a cooperative association should be particularly careful not to jeopardize its financial security by pledging itself too definitely to retire, redeem, or revolve any portion of the capital structure at any particular time. However, certificates of ownership in the form of stock, or other evidences of interest or equity, can be provided and the interests of the organization safeguarded at the same time. Telling the members that the association is a farmer organization will never be so effective in convincing them that they actually own and control the organization as providing them with concrete evidence of ownership, in one form or another.

Where the individual member has a relatively small investment in his association, the cooperative might do well to stress the "farmer-controlled" feature so as to bring to the attention of the members the importance of participating in the selection of those responsible for directing the affairs of the association. As indicated elsewhere, some associations have failed to secure wide interest among the members in the selection of directors, or full attendance at meetings called for the discussion and planning of association affairs. In the absence of both financial investment and consciousness of control on the part of the members, the chasm between management and membership appears to be without a bridge.

The assets and net worth per member of 35 typical cooperative associations are shown in table 8. It will be noticed from this table that there is a wide range and that there is little relation between the assets and the net worth. A few of these associations have issued to the members some evidence of ownership in the assets of the organization, but in most instances the assets are the property of the association in a restricted sense.

Table 8.—Assets and Net Worth per Member of 35 Cooperative Associations and the Member's Equity after Withdrawal from the Association

Code number of association	Assets per member	Net worth per member	Member's equity after withdrawal			
			Entitled to payment of—		Interest in patronage dividends forfeited	No further right after violation of contract
			Interest as appraised by directors	Par or book value of stock		
10.....	\$2, 332. 19	\$729. 76		X		
27.....	744. 73	535. 34	X	Nonstock		
6.....	84. 42	368. 75			X	X
5.....	416. 77	341. 61	X	Nonstock		
34.....	1, 771. 82	330. 70	X	Nonstock		X
22.....	651. 83	300. 18	X	Nonstock		
41.....	307. 49	277. 34	X ¹	X		
37.....	332. 96	255. 94	X			
39.....	261. 93	176. 38		X		
24.....	272. 89	165. 18	X	Nonstock		
40.....	525. 46	152. 78	X	Nonstock		
32.....	171. 24	144. 91	X	Nonstock		
2.....	250. 23	102. 77		X	X	
1.....	147. 76	77. 61		Nonstock	X	X
21.....	147. 47	74. 39	X	X		
26.....	466. 62	65. 78	X	Nonstock		
47.....	134. 94	64. 69	X			
44.....	81. 65	59. 93	X			
8.....	102. 26	49. 74	X ²	Nonstock		X
42.....	410. 36	29. 69	X	Nonstock		
20.....	2, 520. 50	27. 87	X	Nonstock		
45.....	54. 72	27. 32	X	Nonstock		
14.....	19. 27	19. 21	X	Nonstock		
30.....	31. 40	19. 17	X ³	Nonstock		
7.....	35. 62	16. 85				
35.....	51. 86	16. 08		X		
29.....	19. 92	15. 17		Nonstock	X	
18.....	16. 41	8. 91		Nonstock	X	X
9.....	8. 43	6. 07		Nonstock		
16.....	87. 07	5. 00	X	X		
17.....	8. 74	3. 87	X			
11.....	268. 51	3. 70	X	Nonstock		
33.....	2. 43	2. 08	X			
43.....	22. 32	1. 89		X		
19.....	42. 37	1. 86		X	X	

¹ Entitled to payment of interest in patronage dividends.

² Paid when other members are paid.

³ Paid at time of dissolution of association.

Membership Agreements

A great many local associations came into existence before the use of marketing contracts became general, and these and other local associations have continued to operate without marketing agreements between the members and the association. Many of these local associations were formed with capital stock, and it was assumed that stockholders would patronize the association because of their interest in the investment. In the case of many local associations, however, much of the stock is now in the hands of nonproducers who do not use the services of the association, and much of the business is done with patrons rather than with stockholders.

A few local cooperatives situated in small towns are primarily community enterprises in which the local townspeople bought a considerable portion of the stock, in order to foster the development of a local cooperative. Frequently the townspeople were motivated by a desire to have farmers surrounding the town receive payment for their produce at that town instead of at a neighboring town, and this desire was prompted by a belief that farmers were likely to make purchases in the town where they received payment for their produce.

Most of the marketing associations included in this study, however, define the responsibilities of the members to the association by means of a membership contract. In some purchasing associations, a patron automatically becomes a member in the organization by the use of a stated amount of the services or facilities of the association. A few marketing associations make membership in the organization a very informal relationship. Sometimes application for membership may be made by endorsing a draft given in payment for products purchased by the association, on the back of which is printed: "I hereby apply for membership in ----- Association, and agree to abide by its regulations and bylaws." No definite analysis or comparison has been made of the attitude of the members of an association using the automatic membership feature and of the members of one using a more formal application and statement of the member's responsibility and duties to his association, but such an analytical comparison would probably be a profitable field for research. Among the associations included in this survey, those that have only an informal relation with no stated obligation or capital contribution from their members, have less participation in association affairs by the members.

Automatic membership sometimes tends to become involuntary membership and to break down the fundamental purpose of cooperation; that is, self-help by working together. In such cases cooperation becomes cooperation for the members instead of cooperation by the members. Such a condition is not conducive to the fullest development of the organization nor of the individuals benefiting from the institution. Unless some means of defining the members' responsibility to the association has been developed, their connection and duties will be taken lightly and just as lightly disregarded. Many individuals are ready to accept benefits without making contributions of effort or capital. This tendency should not be encouraged by automatic memberships which omit defining the member's responsibility to the organization.

Eight of these associations using the membership contract require the payment of an entrance or membership fee at the time of joining the association, or an agreement to pay a membership fee which, in some cases may be deducted from the patronage dividends later to be paid by the association. Thirty of the associations which use membership contracts and agreements provide in their bylaws for the annual withdrawal privilege of the member. One gives the withdrawal privilege every third year, and one every fifth year. One association provides that a member who withdraws cannot again be received into membership in the association until 2 years have elapsed. One association, federated in form, requires the association to pay a few thousand dollars if it withdraws. Unless a marketing association issues stock or certificates of interest in the assets of the association, a member who withdraws generally forfeits his interest in the assets on the theory that the withdrawing member "has received the consideration for any contributions made by him by reason of the service theretofore rendered."

Of the 42 marketing associations included in this survey, 32 use a member's marketing agreement in which the member agrees to deliver to the association for marketing all his commodity, and 25 of these marketing agreements provide that in case of failure to deliver all his products, the member shall pay to the association so much per unit or a certain percentage of the returns received for products marketed in violation of his contract. Table 9 shows the requirements made of members regarding delivery to the marketing associations and the provisions in the bylaws or marketing agreement for members withdrawing from the association.

Table 9.—Requirements Regarding Delivery of the Commodity and Provisions for Withdrawal from the Association Contained in the Marketing Agreements of 33 Marketing Associations

Code number of association	Member agrees to deliver all commodity to association	Penalty ² for failure to dispose of commodity in accordance with terms of marketing agreement	Provision for withdrawal from the association
1 ¹ -----	Yes-----	\$1,000 and 5 cents per pound.	Terminated by written notice between May 15 and 31 of any year; effective Sept. 30.
2 ² -----	Yes-----	Lapsation and termination of interest in all withholdings repayable.	Terminated by written notice before Dec. 31 of any year.
3 ³ -----	Yes-----	25 cents a box-----	Terminated by written notice 10 days or more before Sept. 1 of any year; effective Sept. 1.
4 ³ -----	Yes-----	2 cents per pound-----	Terminated by written notice during month of January of any year; effective June 30.
5 ^{1 2} -----	Yes-----	20 percent of the total market value of fruit withheld.	Terminated by written notice as of May 15 of any year after a two-thirds vote of the members.
6 ^{1 2} -----	Yes-----	\$500 plus 3 cents per pound.	Terminated by written notice on or before Mar. 1 of any year; effective Mar. 1.
8 ^{1 2} -----	Yes-----	5 cents per pound of butter and 5 percent of market value of any other commodity.	Terminated by written notice during month of April at end of every third year, accompanied by remittance of \$5,000.
10-----	Yes-----	\$6 per cow for all cows owned and \$3 for each cow per month.	Terminated by written notice between Mar. 12 and 28 of any year; effective May 1.
11-----	Yes-----	1 cent per pound-----	Terminated by written notice between Dec. 15 and 31 of any year; after one full crop has been delivered effective immediately.
12-----	Yes-----	\$10 per cow, and after first month, \$3 per cow per month.	Terminated by written notice between Feb. 12 and 28 of any year; effective Apr. 1.
13-----	Yes-----	2 percent of gross returns when marketed otherwise.	Terminated by written notice given during the month of June of any year; effective July 1.

¹ Any withdrawing member forfeits all equity in Central.

² Federation.

³ Membership made up of both local associations and individual producers.

Table 9.—Requirements Regarding Delivery of the Commodity and Provisions for Withdrawal from the Association Contained in the Marketing Agreements of 33 Marketing Associations—Continued

Code number of association	Member agrees to deliver all commodity to association	Penalty for failure to dispose of commodity in accordance with terms of marketing agreement	Provision for withdrawal from the association
14.....	Yes....	\$6 per cow and after 30 days \$3 per cow per month.	Terminated by written notice between Mar. 1 and 15 of any year; effective May 1.
15 ¹	No....	Upon failure to deliver certain percentage of crop, waives any interest in patronage dividends or distribution of assets.	Terminated by notice during month of March of any year, immediately preceding date when cancellation is to be effective.
16 ²	Yes....	½ cent per pound....	After 2 years, terminated by written notice not more than 60 or less than 30 days prior to Jan. 1 of any year; effective Jan. 1.
18 ¹	Yes....	All amounts due the producer at time of violation of contract.	Terminated by written notice 10 days before expiration of any yearly contract.
19.....	Yes....	1 cent per pound....	Terminated by written notice between Jan. 1 and 31 of any year.
20.....	Yes....	do.....	After delivery of a full crop, terminated by written notice between July 15 and 31 of any year; effective immediately.
21 ¹	Yes....	Payment of \$1.....	Terminated by written notice, after two-thirds vote of members of local, between Mar. 15 and Apr. 1 of any year.
22.....	Yes....	30 percent of value of crop not delivered.	Terminated by written notice before Aug. 15 of the year ending any designated 5-year period.
24.....	Yes....	7 cents per dozen eggs.	Terminated by written notice between Dec. 1 and 31 of any year; effective Feb. 1.
25.....	Yes....	1 cent per pound....	Terminated by written notice during September of any year; effective next Jan. 1.
26.....	Yes....	No penalty.....	Continue marketing until 3 weeks after giving notice of intention to discontinue.

¹ Any withdrawing member forfeits all equity in Central.

² Federation.

Table 9.—Requirements Regarding Delivery of the Commodity and Provisions for Withdrawal from the Association Contained in the Marketing Agreements of 33 Marketing Associations—Continued

Code number of association	Member agrees to deliver all commodity to association	Penalty for failure to dispose of commodity in accordance with terms of marketing agreement	Provision for withdrawal from the association
27.....	Yes....	5 cents per dozen eggs.	Terminated by written notice at any time.
30.....	Yes....	20 percent of gross sale.	Terminated by written notice between May 15 and 30 of any year; effective Dec. 31.
33.....	Yes....	No penalty.....	Terminated by written notice between Dec. 15 and 30 of any year; effective Mar. 1.
34 ¹	Yes....	3 cents per pound....	Terminated by written notice between Dec. 20 and 31 of even-numbered years or between Feb. 20 and Mar. 1 of odd-numbered years.
35.....	Yes....	\$5 per cow.....	Terminated by written notice during month of February of any year; effective Apr. 1.
36.....	Yes....	5 cents per pound....	Terminated by written notice between Feb. 1 and Mar. 1 of any year.
37.....	Yes....	\$5 per cow owned....	Terminated by written notice 30 days before June 1 of any year; effective June 1.
39.....	Yes....	15 cents per hen owned.	Terminated by written notice between 1st and 15th day of any month; effective first day of succeeding month.
40.....	Yes....	1 cent per pound....	Terminated by written notice between July 15 and 31 of any year; effective following Jan. 31.
41.....	Yes....	5 cents per dozen eggs.	Terminated by written notice between 1st and 15th day of calendar month in which agreement was signed; effective last day of first calendar month following receipt of notice.
42 ²	Yes....	15 cents for each box of fruit.	Terminated by 30 days' written notice; effective Mar. 1.

¹ Any withdrawing member forfeits all equity in Central.

² Federation.

Table 9.—Requirements Regarding Delivery of the Commodity and Provisions for Withdrawal from the Association Contained in the Marketing Agreements of 33 Marketing Associations—Continued

SUMMARY	<i>Number of associations</i>
Penalty for failure to dispose of commodity in accordance with terms of marketing agreement:	
A stipulated amount per unit for products marketed otherwise than through the association.....	21
A percentage of the returns for products sold outside the association (2 percent to 30 percent).....	4
A lump sum and a certain amount per pound for products marketed outside the association.....	2
Lapsation of all withholdings repayable and amounts due the producer.....	3
Payment of \$1 after crop of first year is marketed.....	1
No penalty.....	2
Total.....	<u>33</u>
Provision for withdrawal from the association:	
By written notice from 10 to 120 days prior to date of withdrawal.....	20
By written notice before a specified date of any year.....	8
By written notice after one full crop has been marketed.....	2
By written notice at any time.....	1
By written notice every third year, accompanied by remittance of \$5,000.....	1
By written notice every fifth year.....	1
Total.....	<u>33</u>

¹ These associations are distributed in the following order: 7 must give notice from 10 to 30 days before withdrawal; 7, from 30 to 60 days; and 6 from 60 to 120 days.

Control by Members Through Voting

Consideration of how and to what extent cooperative associations are "farmer-owned" and of the contractual relations between members and their associations, leads one naturally to consideration of how such cooperative associations are "farmer-controlled." It is by means of the ballot or voting rights that the member is expected to "control" his organization. All associations have an annual meeting of the members or stockholders or of delegates representing them. One of the principal items of business transacted at the annual meeting is the selection of directors or the confirmation of directors previously chosen by the various districts composing the association. At the annual meeting of many associations, the members or delegates are also given an opportunity to approve or reject changes in policy that have been submitted by the management or other leaders of the

organization. At practically all annual meetings, those present vote on resolutions that have been previously written by a resolutions committee or have been introduced from the floor of the annual meeting. In this way the members or delegates representing the members have an opportunity to express themselves on matters affecting the association.

Marketing and financial policies are usually determined by the board of directors, or at least they are approved by the board of directors after consideration of recommendations made by the manager and other executive officers of the association. The directors are elected by the members or stockholders of a cooperative association and are, therefore, directly responsible to the electors. If the members are dissatisfied with the policies, they can, at stated intervals, elect directors pledged to change any policies which a majority of the members may desire to have changed. The intelligence and interest of the members usually determine the type of directors who shape the policies of the organization and therefore control its destiny.

It would seem, therefore, if farmer or member control is to be fact instead of fiction, that the exercising of his right of suffrage should be made comparatively easy. However, no matter what the method of electing directors may be, member participation in elections is dependent on keeping the members interested in the affairs of the organization and impressed with a sense of ownership. An association that covers a wide area and elects its directors at an annual meeting does not lend itself to the fullest participation by the members in the selection of directors, because of the difficulty of attendance at such annual meetings.

Of the associations included in this study, 23 elect directors in an annual meeting of the assembled members. In a few of these, the directors have been previously nominated by districts, and election at the annual meeting is, in reality, confirmation of the selection made by the members in a particular district. Some associations permit nomination by districts, and then mail ballots to all members and count in the election of directors all ballots returned to the association's office by a stated time in advance of the annual meeting. Direct nomination, or election by the members in districts, and voting by mail give the members an opportunity to express their preference for representatives on the board of directors. Associations that have such provisions seem to obtain a fuller participation of the members in the selection of directors. Some associations with these provisions reported that more than 50 percent of the members cast ballots in the last election, even though there was no contest or ardent opposition to the existing administration.

The bylaws of some associations provide that the annual meeting shall be made up of delegates representing the membership and that such delegates may select an individual other than the one previously selected by the members residing in a particular district. Such provision has been cautiously used by associations having this arrangement, and seldom has the choice of a particular district been rejected by the delegates at the annual meeting, unless such proposed director was considered by a majority of the delegates as one who would be likely to prove detrimental to the organization.

This indirect method of electing directors would seem to have some advantages for associations covering a large area, since, by selecting delegates, more members may have an opportunity to express themselves in the selection of directors. Care should be taken, however, that each delegate chosen is one who will consider the welfare of the organization in casting the ballots for director and that he does not indulge in political trading or himself become a candidate for director. Giving each member the privilege of voting by mail would seem to provide a more direct method for members to express their preference. If the ballots are counted by a committee of members who do not hold office, the election might prove more satisfactory to a majority of the members and be less subject to criticism or the charge that the selection of directors is controlled by the management.

Voting in a Centralized Organization

Most of the centralized associations included in this study grant each member one vote regardless of the amount of stock owned or the volume of business contributed. In some of them this vote is cast indirectly by delegates. In others the member is required to be present at a particular place on a definite date, in order to exercise his right of suffrage.

The voting rights and methods of electing directors for the associations included in this study are shown in table 10. The table also indicates the number constituting a quorum at the meetings of the several associations.

Some of the associations which have directors elected by the members or by delegates selected by the members report that those who participate in the selection of directors or of delegates represent only a small percentage of the total membership. Approximately half of the associations reported that less than 25 percent of the total membership participated directly or indirectly in the last election of directors. Four associations reported that from 25 to 50 percent participated in the selection of directors. Some associations can only estimate the number of members belonging to the association and the

Table 10.—Voting Rights and Quorum of 47 Cooperative Associations

Code number of association	Voting rights			Quorum
	Equal (1 vote per member)	Unequal, determined by—		
		Shares of stock owned	Quantity of products marketed	
2		X		Majority of stockholders present in person or by proxy.
8	X			Majority of members present in person or by proxy.
14	X			50 members present in person.
15		X		Majority of the capital stock, represented by shareholders present in person or by proxy.
19		X		Majority of the outstanding stock represented by the holder in person or by proxy.
20	X			15 present in person or otherwise represented by ballot.
43		X		50 percent of total number of stockholders.
37	X			10 percent of stockholders present in person or represented by mail vote, which shall be not less than 50, but 400 present in person shall constitute a quorum.
40	X			15 members present or otherwise represented by ballot.
3	X			Majority of the members present in person or represented by proxy.
1			X	The votes then and there represented in person or by proxy.
13	X			Majority of the members present in person and/or voting by mail.
16	X			Majority of the members when total number does not exceed 100, and at least 10 percent of total if more than 100, but there shall always be more than 50 members present. (Mailed votes counted.)
23	X			Majority of the stockholders present in person or by proxy.
25			X	Those members present in person or represented by ballot.
27			X	100 members present in person.
42	X			Majority of the members present.
4	X			Majority of the members present in person or represented by proxy.

Table 10.—Voting Rights and Quorum of 47 Cooperative Associations—Continued

Code number of association	Voting rights			Quorum
	Equal (1 vote per member)	Unequal, determined by—		
		Shares of stock owned	Quantity of products marketed	
5.....			X	Majority of the votes of the members present in person or represented by proxy.
6.....			X	Majority of the interests represented by the several members present in person or represented by proxy.
22.....	X			Those present in person.
36.....			X	Majority of the members present in person.
33.....		X		60 percent of the common and preferred stock represented, whether present in person, by proxy, by delegate, or voting by mail.
30.....	X			15 percent of the members present in person or represented by authorized delegates.
32.....		X		Majority of the stock represented.
24.....	X			50 members present in person.
44.....	X			The stockholders present.
7.....	X			20 percent of total number of common stockholders present in person when such number does not exceed 200; over 200, 50 stockholders present in person.
28.....	X			20 members present.
9.....	X			25 members.
10.....	X			10 percent of the members in good standing.
45.....	X			11 members in person. (No voting by proxy.)
17.....	X			Majority of the stockholders present in person or by proxy, or voting by mail.
35.....	X			Majority of the stockholders.
38.....	X			One-third of total number of stockholders.
41.....	X			75 stockholders present in person.
46.....	X			10 percent of all members.
26.....			X	100 members present in person or represented by proxy.
29.....	X			Majority of the members present.
47.....	X			50 members present in person or by proxy.
39.....	X			Majority of the producers present.
11.....	X			15 percent of members present or represented.
12.....	X			100 accredited delegates.

Table 10.—Voting Rights and Quorum of 47 Cooperative Associations—Continued

Code number of association	Voting rights			Quorum
	Equal (1 vote per member)	Unequal, determined by—		
		Shares of stock owned	Quantity of products marketed	
18.....	X			Those present.
21.....		X		Delegates representing a majority of the outstanding stock.
31.....			X	15 delegates present.
34.....	X			30 members present in person.
Totals...	32	7	8	

SUMMARY

	Associations electing directors for 1 year				Associations electing directors for 2 years				Associations electing directors for 3 years				Grand total
	By members	By districts	By delegates	Total	By members	By districts	By delegates	Total	By members	By districts	By delegates	Total	
Voting power:													
Equal.....	6	4	2	12	1	1	1	3	8	6	4	17	32
Unequal, determined by shares of stock owned.....	4		1	5	1			1			1	1	7
Unequal, determined by quantity of products marketed.....		3	3	6						1	1	2	8
Total associations.....	10	7	6	23	2	1	1	4	8	6	6	20	47
Quorum:													
Majority present in person.....		1	1	2					1	2		3	5
A certain number or percentage of members present in person.....	2	1		3		1		1	6	2	3	11	15
Majority present in person or represented by proxy.....	3	3	2	8									8
A certain number or percentage of members present in person, mailed ballot, or proxy.....	3			3	1			1		2	1	3	7
Majority of stock in person or by proxy.....	2		2	4	1			1	1		1	2	7
Votes represented there and then in person or by proxy.....		2		2									2
Those present in person.....			1	1			1	1			1	1	3
Total associations.....	10	7	6	23	2	1	1	4	8	6	6	20	47

percentage participating in elections, because they have set up no system for regularly purging the membership roll. The following quotation, taken from an unpublished report made to the Cooperative Division of the Farm Credit Administration, probably would apply equally as well to some other associations:

Due to the lax system of keeping track of its membership and to the lack of interest on the part of the membership in the association, the annual election of directors has developed into more or less of a cut-and-dried affair, resulting in the election of the same men year after year.

Members cannot really be expected to participate intelligently in the election of directors unless they are kept informed regarding the policies and activities of the association and have reasonable knowledge concerning the action of the directors who represent them. It is believed that no democratic system of government could long exist unless the voters had an opportunity to know how their representatives voted on the various questions that came before them. The members of a cooperative association are entitled to similar information regarding their representatives on the board of directors. Moreover, officers of a cooperative are better protected in their positions when they supply information that will enable members to judge intelligently their official actions. Such officers also have more assurance that they are satisfactorily serving their constituents when a large percentage of the members participate in the elections, even if a number of votes are cast for other candidates. Voting is in reality an evidence of interest in the association and should be encouraged by every reasonable means.

The bylaws of centralized associations generally provide that the area served by the association shall be divided into districts from time to time so that each director shall report about the same volume of business furnished to the association. In a few associations the bylaws are indefinite as to whether the representation shall be based upon the production within the territory of the association or upon the deliveries to the association. One association has not redistricted its territory since 1924; 2 have not redistricted since 1929; and 20 have redistricted during the period 1930-1934. Failure to redistrict territory was frequently attributed to the fear of directors that they might not be reelected if the territory were redistricted.

Voting in a Federation

Sixteen federated associations were included in this study. Ten of these federations provide for one vote for each member unit. Four provide for one vote for each share of stock in the central corporation held by each unit, with a limitation on the amount of

stock any one unit may own. Two associations in one State provide that each unit may have one vote with additional votes for a specified volume of products marketed through the central association during the preceding year. This feature of providing representation according to the volume of products supplied seems to be a new development. The associations that use this method of voting maintain that it tends to prevent local units from dividing into uneconomic units, and perhaps the prospect of gaining increased representation in the affairs of the central organization encourages local units to increase their volume of business with the overhead organization. This voting policy also tends to minimize the resentment which units furnishing a large proportion of the volume might feel against small units that, although they contribute little business and therefore little income for the maintenance of the central organization, have equal voting rights under the one-unit-one-vote plan. One large federation provides that each member shall have as many votes as equal the number of shares of stock owned by the member association multiplied by the number of directors to be elected, and that all these votes may be cast for one director or distributed among two or more directors to be elected. One of the federations included in this study has several member units that provide for voting on a patronage basis in choosing directors of the local associations.

Giving each member one vote was a natural reaction from the abuses and dissatisfaction that arose among small stockholders because they felt that large stockholders were interested in dividends on stock rather than in reflecting to the members the savings that might be made in operating the cooperative. There is not necessarily any relationship between volume of stock and the patronage supplied by an individual member. In fact, it may be possible for an individual to own considerable stock and furnish little or no volume to the association. Some cooperatives have recently expressed an interest in the methods used by the associations that provide for voting on the basis of patronage.

One large federation has a provision in the contract between the central association and the member associations composing the federation which provides for a board of representatives to which each of the member associations is entitled to appoint one representative. The contract provides that this board of representatives shall, as advisory to the board of directors, have supervision over all matters pertaining to carrying out the provisions of the agreement between the central association and its member associations.

Normally, each member of the board of directors casts one vote, but upon request of any two members of the board of directors any question as to carrying out the provisions of the agreement between the central and the member association shall be referred by the board

of directors to the board of representatives, and upon demand of any member of the board of representatives the vote upon any question under consideration shall be taken upon a "percentage" basis. In those cases where the vote is taken upon a percentage basis each representative casts the same percentage of the total vote of the board of representatives as the volume of business furnished by the association appointing him is of the total of all business handled by the central for the member associations.

When any vote is taken by the board of representatives the fact that the vote was taken and the results thereof are certified to the board of directors of the central association. The contract provides that the central shall take notice of the result of such action as instructions from the member associations composing the central and carry on the business as directed by such vote of the board of representatives.

This association has seldom had occasion to invoke such voting according to volume. The provision, however, is reported to have created a feeling that the interests and rights of the majority of the commodity were being safeguarded against potential injustices. A few other associations have followed the example of this federation by incorporating provisions for a volume or tonnage vote when several members of the board of directors request it. This provision is generally incorporated in the contract between the central and the member associations, without being specifically set forth in the bylaws.

Some federations, having a large number of units and desiring to have a board of directors of reasonable size, provide for a division of local units into districts and for the selection of a director by the local associations in the particular district. The advantages of a small board of directors cannot be questioned. Each local association, however, usually prefers to have its own representative on a board of directors. This desire sometimes promotes political trading among associations in a particular district, and it may be questioned whether harmonious relationship between the central and the local associations is thereby promoted. Some local associations comprising a district rotate representation on the board of the central association.

Means of Membership Contact

EVEN when member ownership and voting control are provided for in the set-up and administration of cooperatives, healthy and satisfactory membership relations do not automatically follow. These can be achieved permanently only when those responsible for management have definite objectives and definite programs for main-

taining membership contact and bringing about an understanding of the association's affairs on the part of members. Member-control of the association and member-participation in its affairs cannot be exercised intelligently unless information is dispensed and an understanding of association affairs actively promoted by those responsible for management.

If unsatisfactory conditions in this respect exist in local associations, they can be attributed partly to nonallocation of equity and earnings to the members and partly to lack of information and understanding on the part of the membership. The management and board of directors, therefore, who could have met this need are primarily responsible for unsatisfactory morale; that is, if in the first place the business operations of the association have been successful enough to justify the support of the members. The manager of an association covering a small area can handle the promotion of such participation and understanding among members as a part of his regular routine work if he plans for it and is supplied with adequate information. He can also influence the local board of directors, who come in more frequent contact with the members of the organization through the natural associations which a community affords, to promote member participation and understanding.

Means of Contact in a Federation

As pointed out above, there is a tendency for federated organizations to leave the responsibility for dispensing information to members and launching educational programs to local member units. Where a relatively small and compact local organization has a representative on the central board of directors, this representative is able to keep the local officers informed concerning the policies and progress of the central organization. This contact provides an element of strength, but it also has some weaknesses, as the representatives vary in attitude toward the central organization and in ability to report the proceedings of its board of directors to the local association. If the director of a unit association is able, diligent, and in sympathy with its program and policies, he can do much to keep the manager and the local board of directors sufficiently well informed to produce satisfactory cooperation. If, however, he is incompetent, indifferent, or even hostile to the programs and policies of the central unit, the entire organization may suffer.

When federations have a great many member-associations a representative from each local unit would make the central board of directors unwieldy and perhaps would involve much expense in holding its board meetings as often as would be desirable. In such cases

some system of apportioning directors among the local associations or forming larger or secondary units of groups of associations and providing for representation of the secondary units on the central board of directors has been found necessary.

Whenever the director is the only means of contact between the central associations and the local organizations, a very spotted condition may arise among the member units. Some federations, therefore, have found it desirable to have individuals employed directly by the central organization and delegate to them the responsibility for the development of more uniformity of understanding among the various locals and promotion of teamwork between the locals and the central associations.

One federation made up of several units, which, in turn, are made up of other smaller incorporated units, employs fieldmen primarily to assist local managers in increasing their membership and satisfying complaints among the members of local associations. Some local managers call for the service of these fieldmen many times during a season; others seldom call for them. One local manager stated, "If I, who know the producers in my area, can't keep them satisfied or enlist their support, I feel that my association doesn't deserve it." Other managers indicate that they are too busy with the regular routine of management to meet prospective members or to deal with those that are dissatisfied. Since the services performed by the fieldmen of this federation have resulted in the addition of new members and the reenlistment of exmembers, there seems little doubt that they have justified their employment. The demand and the need for fieldmen, however, would be lessened by fuller cooperation between the managers of local associations and the managements of district and central associations.

No association made up of a federation of member associations reported completely satisfactory relations between the member units and the central organization. Some local associations, members of larger organizations, reported friction or lack of understanding between the local and the central organization. The unit associations tend to criticize the central for its policies and lack of understanding of local problems, while the central associations criticize the unit associations for their failure to support these policies of the central organization. This situation has led some central organizations to attempt a high degree of centralization of functions with the result that some local units feel that they are becoming nothing more than branch offices of the central association and are gradually giving up their independence and autonomy. Such feeling on the part of the unit is not conducive to harmonious relationships. The question may be raised whether the central is not impairing its own future when

it fails to foster a spirit of independent cooperation in the unit associations.

The very nature of a federation challenges the tact and ingenuity of its administrative officers. Complete cooperation of the unit associations is desirable, but officers of the central organization cannot demand an attitude of service from an officer of a member association in the same way as from the manager of a branch or from employees of the central organization. An officer of an overhead organization may be inclined to give orders to the officers of units comprising the federation in the same way as to employees of the overhead organization under his direction. Member associations, however, generally value their independence and resent such orders. A great deal of tact and diplomacy are necessary to develop a cooperative attitude among unit officers so that the entire organization may function as an efficient working unit.

In the desire to reach a goal quickly, some central associations have tended to violate the independence of unit associations and are now finding it necessary to go back, as it were, and correct this violence to the pride and autonomy of the associations. In a few cases, perhaps, haste has delayed the development of the relationship between the units and the central that all have now come to recognize as necessary and essential.

One federation, made up of 18 units, has found it profitable to have 3 representatives from each unit on the central board of directors. The manager and two members from the board of directors of each association constitute this representation. The central pays no per diem or travel expense for the manager of a local association attending a meeting of the board of directors and pays only half the expenses of each local director. This encourages the attendance of both local directors at a central board meeting. This association reports that it has found it unnecessary to have fieldmen and believes that the representation from the local associations on the board of directors of the central organization has accomplished the same purpose.

A board composed thus of 54 members would be objectionable to most cooperative associations, but in this particular case it seems to have proved satisfactory. An executive committee composed of 18 members, selected by this board of directors, meets when it is thought inadvisable to have the full attendance of the board. The manager expressed himself as being very reluctant to diminish the size of the board of directors and seemed to feel that the association had suffered no inconvenience from having so large a number of directors. It appears that the local associations comprising this particular federation work more harmoniously with the central organization

than do the units of certain other federations in which local units are grouped into districts and choose a director to represent their district.

It seems that federations might profitably consider increasing the outlay that would be necessary if the number of directors in the federation were increased. The efficiency of almost any board of directors and the amount of time wasted at a director's meeting depend largely upon the chairman's ability to hold the consideration of the board strictly to business and to an agenda that has been prepared in advance of the meeting. This agenda, however, should not be so rigidly prescribed by the "powers that be" as to prevent the introduction of matters which the management might desire to conceal. Such a situation might pervert the board into a "rubber stamp" for the manager.

One federation, however, has 200 or more member units. A representative on the board from each local association, therefore, would be impractical, and it is preferable either to district the area of the association or provide for a secondary organization and a board of directors chosen by districts or from the secondary organization. In such instances as this, the board members are inadequate as a means of contact between the local organization and the central. Such federations have found it desirable to employ fieldmen. Two such federations have field work performed incidentally by individuals whose primary function is that of supervising, grading, and standardization. Such duties enable the fieldmen to work with the local manager on problems of the local association. The arrangement does not provide, however, for frequent contact between the members of the board of directors of a local association and a representative of the central office.

Intermediate Organizations

Districts or subexchanges governed by a board of directors made up of managers and representatives from local associations afford the management of the central organization of such federations a means of keeping in contact with local associations and provide a channel of information between the central organization and the local association. These directors and managers of local associations also provide a channel of information to the individual members of the local association and from the local members to the management of the central. The problem in some organizations is to provide economic functions for such a district or subexchange so as to maintain the interest of local representatives. It seems, however, that an organization might work out a definite program for im-

proving the efficiency of the local associations and discussion of the problems between the local and the central offices which would warrant interest and attendance at district meetings.

Centralized Units of Federations

Four federations are made up of units which are State-wide in area. In this study, such units are referred to as "centralized organizations." The problem of contact between the central management and the members of such centralized units is increased in its difficulty by such wide-flung membership. Few individual farmer-producers ever come in contact with the office of the central organization, which may be located several hundred or even a few thousand miles from the producer. The management of the State units is often located several hundred miles from the individual producer. Maintaining contact between the individual member and the office which markets his product is indeed difficult where this function has not been delegated to some unit of the centralized local. Fortunately, some commodities lend themselves to the development of local units for performing the service of receiving and grading the commodity. Some organizations, national in scope, however, have not yet succeeded in developing such delegation of functions to local units and local facilities. In a few cases the large organization has even employed the fieldmen of the centralized unit and made of the centralized unit almost a branch office of the national organization. Managers of these large units composing the federation seem to feel that unless some means is developed whereby the individual member can be brought more to a feeling of individual responsibility and ownership, he will regard the national organization as just another buyer in the field of handling agricultural commodities and be easily influenced to leave the organization when he can do as well or better through its competitors.

Contact with Members Through Supplemental Services

Many marketing associations covering an area too large for the members to come in frequent contact with the manager have developed supplemental services to members. These supplemental services bring the employees of the association into frequent contact with members and thus provide an opportunity for acquainting them with the details of association affairs. These services to members involve a great deal more activity and expense than the customary solicitation of business by private firms or individuals. Since the associa-

tion is owned by the members, and any savings made out of the income of the association are credited to members or paid to them in patronage dividends, it can be said that the members are really assessing themselves for the extra cost of this membership service. If they decide that the expenditure for membership service is in excess of the benefits derived from it, they may effect a change by electing directors pledged to curtail such expenses.

One of the best examples of the above type of membership service is that provided by some of the cooperative livestock-marketing agencies. These associations give their members, upon request, advice regarding the class of livestock to purchase and the most favorable time at which to market a particular class of livestock in order to realize the maximum return on the labor and feed expended. They give information on and demonstrations of improved methods of breeding and feeding in an effort to assist the members to produce livestock of better quality. They also hold demonstrations in grading livestock, thus enabling the producer to recognize and select finished animals and to sort his animals, some for marketing and some for further feeding. Practical demonstrations of this nature are usually conducted by a representative of the association at the feed yard of some interested member, where other members are assembled from nearby, and where results of buying, feeding, breeding, and other practices are discussed.

Another valuable type of membership service is the giving of market information and advice as to the time to move livestock to market, so as to avoid temporary gluts and consequent price declines. The cooperative association which really represents the members' interests is less concerned with making profits from rendering marketing services than it is with giving members any and every service that will yield the members the greatest returns. Employees of an association, who are constantly in touch with the market, are in a better position than most individual producers to interpret available information on probable supply and demand and price trends. Several associations supplement the readily available information with research work financed by the association and are thus able to provide their members with more information than is accessible to the average producer.

Members of some fluid-milk bargaining associations are enabled to produce a better quality of milk and to meet more satisfactorily the sanitary requirements of the market on which they sell, because of services provided by the associations. Some of these associations furnish their members with information regarding the market's

probable needs at different times of the year. Others also assist their members to organize by groups for transportation of milk to the market, thereby securing lower transportation charges.

Certain cooperative associations marketing fruits and vegetables provide a service through which members are advised regarding horticultural practices and pest control. For example, a few associations have developed a cooperative plan for spraying and fumigating fruit trees. Most cooperative fruit-marketing associations inform members as to the best time for harvesting and the most desirable rate of movement to market.

A great deal of the information provided by such service departments supplements the efforts of the State agricultural extension service and lends emphasis to its advice on production and harvesting practices by connecting it with the marketing service offered by the association. Employees engaged in this type of membership service have an opportunity to inform the members on other aspects of the association's affairs. Contacts thus made give employees a more complete understanding of the attitude and point of view of the members. Membership service, therefore, is of value to the officers and employees of the association as well as to the members because it provides a means of contact and a channel of information for both.

Planning for Members' Participation

Associations having their members scattered over a large area and, therefore, difficult of contact in the course of the natural operations of the association, require special planning and effort for contact and education in order to develop a sense of ownership in and responsibility toward the association. It appears that many such associations make little if any consistent effort to develop the second phase of organization; that is, organization for members' participation in the affairs of the association and mutual contact between the members and the management.

Three approaches to organization for member participation have been developed. Some associations have made the handling of membership organization incidental to the routine work of officers and employees handling an economic function. Four cooperative marketing associations included in this study have delegated the contact and educational work with members in whole or in part to general farm organizations operating in the area served by the particular association. Thirty have designated certain employees or set up special departments for handling the membership. The

departments or employees to whom the handling of membership relations in these 30 associations have been delegated are as follows:

Department or employee handling membership relations :	<i>Number of associations delegating functions as indicated</i>
Field department.....	9
Membership service.....	3
Manager.....	7
Manager, sales department.....	1
Manager, retail department.....	1
Assistant manager.....	1
Secretary-treasurer.....	1
Assistant secretary-treasurer.....	1
Growers' relations.....	1
Public relations and laboratory field service.....	1
President in charge of organization.....	1
Advisory council.....	1
Division of information.....	1
Standardization.....	1
Total.....	30

Perhaps there is great variety in the specific objectives of associations in handling the problem of membership relations. Doubtless all associations expect to increase the membership and the volume of business of the association and to deal with complaints arising among the members.

Only recently some cooperative associations have attempted to make the dissemination of information to members and the performance of other services connected with member-relations a part of the business routine of regular employees who come in contact with the members. One of the larger associations, having a membership of about 50,000, states: "It is our purpose to make every individual that comes in contact with the members a fieldman for the association." A radical change has taken place within the last 10 years in the business policy of cooperatives handling some commodities. Formerly cooperatives in this group were spending as much for field and educational service—or getting business for the association—as for marketing expenses, but in recent years they have spent practically nothing for field work and have been operating at a much lower cost per unit of commodity handled. It would seem advisable, however, judging from the present situation in these cooperatives, for them to employ someone on whom to place the responsibility of developing an educational and membership-contact program that will promote uniformity in content and method of presentation of informational material supplied to members.

One of the most successful of these cooperatives, which has a healthy membership spirit at present, and has worked as diligently in promoting a sense of ownership on the part of members as in

achieving efficiency in the business administration of the organization, created, soon after it was organized, the position of "vice-president in charge of institutional development." For this position an individual was employed who recognized that the job of institutional development cannot be confined solely to developing a proper attitude on the part of the members; but requires that equally as much attention, even if less time, be given to developing a proper attitude on the part of the administrative officers and all employees of the organization who come in contact with the members. This treatment of the problem from both angles has been quite effective.

A few associations that have delegated educational and contact work with members to general farm organizations have found this arrangement quite satisfactory. In others it has been a source of friction between the cooperative and the general farm organization. In one instance a sharp division of opinion arose among the members regarding this method of education and membership contact. The effectiveness of this system of membership education and contact apparently depends largely on the personalities involved and the type of individuals employed by the farm organization to perform the educational work. One inherent weakness of this system of using employees of another organization might be pointed out; that is, such persons, although acting as representatives of the cooperative association, feel that their first allegiance is due to their original employer. They thus feel relatively independent of the management of the cooperative association and free from any direction or control except from their employer. Unusual tact and unselfish service is, therefore, necessary in both organizations if such an arrangement is to be carried on without friction. Frequent contact is necessary between the manager of the cooperative and the fieldmen employed by the "subsidized" organization. Even then there is danger that the employees of the general farm organization may be charged with a dual allegiance which causes them to neglect to build up the cooperative marketing association unless such development also contributes to the development of the "subsidized" organization.

Employment of Special Personnel to Perform Membership Work

Twenty-eight of the associations studied employed special personnel to deal with membership relations within the organization. Table 11 shows the number of individuals employed by groups of associations for the sole purpose of soliciting patronage for the organization or giving information to the members and promoting

Table 11.—Number of Members in Each Association and Number of Persons Employed Solely for Membership Work, for 28 Associations

ASSOCIATIONS EMPLOYING FROM 1-9 PERSONS FOR MEMBERSHIP WORK		
Code number of association	Number of persons employed in membership work	Number of members in association
14.....	1	1, 250
10.....	1	4, 933
26.....	2	1, 522
37.....	2	8, 121
44.....	2	70, 000
42.....	3	510
33.....	3	8, 500
40.....	4	634
1.....	4. 5	1, 848
18.....	5	14, 993
15.....	7	400
25.....	8	2, 000
7.....	8	10, 929
Total.....	50. 5	125, 640
Average.....	3. 9	9, 665
ASSOCIATIONS EMPLOYING FROM 10-19 PERSONS FOR MEMBERSHIP WORK		
26.....	10	1, 400
35.....	10	3, 633
47.....	12	6, 020
2.....	12	7, 500
6.....	15	7, 534
36.....	15	8, 000
5.....	17	5, 751
Total.....	91	39, 838
Average.....	13	5, 691
ASSOCIATIONS EMPLOYING FROM 20-29 PERSONS FOR MEMBERSHIP WORK		
16.....	21	70, 130
3.....	22	13, 500
27.....	25	4, 561
45.....	25	56, 130
Total.....	93	144, 321
Average.....	23. 2	36, 080

Table 11.—Number of Members in Each Association and Number of Persons Employed Solely for Membership Work, for 28 Associations**ASSOCIATIONS EMPLOYING FROM 30-49 PERSONS FOR MEMBERSHIP WORK**

Code number of association	Number of persons employed in membership work	Number of members in association
30.....	31	17, 300
34.....	32	3, 633
12.....	36	34, 774
Total.....	99	55, 707
Average.....	33	18, 569

ASSOCIATIONS EMPLOYING 50 OR MORE PERSONS FOR MEMBERSHIP WORK

11.....	54	3, 600
Grand total.....	387. 5	369, 106
Average.....	13. 8	13, 182

member participation. The table also shows the range of membership in each of the groups.

It will be noted that the average number of fieldmen employed by these associations is approximately 14, and that there is little correlation between the number of members belonging to the association and the number of fieldmen employed. Two more associations might be added to the group employing from one to nine persons for membership work if the managers who spend most of their time in field work are included.

The number of individuals employed in field work depends to a considerable extent on the administrative set-up of the central organization, and the amount of volunteer effort obtained from the members in promoting and developing contact with "locals." Eleven centralized associations have district managers who assume the responsibility of membership contact and education in their respective districts, with what assistance they may get from the central office. One association included in table 11 has an advisory "council" which meets monthly at the central office. In the week following this meeting the advisory council meets the members at their respective locals, thus promoting group solidarity and an understanding of the progress and problems of the organization. The work performed by

the members of the advisory council and the officers of the locals is voluntary. An examination of the minutes of the advisory council showed that the council meetings had an average attendance of more than 80 percent of all the members composing the advisory council. Copies of the minutes of the local meetings were mailed to the association, and an examination of the files showed that the members of the advisory council who had attended the advisory council meeting met with their respective locals and discussed the proceedings of the council and any other matters which the members in attendance wished to have discussed.

In most of the associations the fieldmen are hired and dismissed by the manager of the association or by the head of the field service department, who is responsible to the manager. In two associations the board of directors employs the fieldmen, in one the president chooses the fieldmen. It would seem that fieldmen should be directly responsible to the manager or to the department head to whom the manager has delegated the work of supervision of the fieldmen. When fieldmen are employed by the board of directors or by the president, they may feel themselves under no obligation to carry out the policies of the management and might become involved in the politics of the organization.

There is little or no uniformity in the services performed by district managers among the associations that have such officers. In five associations, district managers spend their time almost exclusively soliciting new members. In four associations, they devote their entire time and attention to inspection, standardization, and quality control. In some others, the district managers are in charge of the economic functions performed in their districts. Only 14 associations included in this survey had district managers.

Fifteen associations included in this survey require the fieldmen to perform some economic service in addition to maintaining membership contact and soliciting new members. The most common economic services performed by the fieldmen in these associations are inspecting the products handled by the members and promoting the improvement of quality. Some dairy associations have check testers who, because of their frequent contacts with members, occupy, in some respects, the position of fieldmen. Within the last few years there has been a tendency for cooperative associations to discard the itinerant fieldman whose duties were confined to soliciting new members and "ballyhooing" the association. Attention is now concentrated on keeping the members acquainted with the affairs of the association and representing the association when difficulties arise, caused by dissatisfaction or lack of understanding on the part of the members.

Preparation of Educational Material

Twenty-three associations reported that the responsibility of preparing educational material to acquaint the membership with the operations of the association had been delegated to some particular employee of the association. (This material is in addition to any that may be sent out through the house organ.) The other associations showed little evidence of using carefully prepared material for the information of members. The number of associations allocating this responsibility to each of several agencies is as follows:

Agency:	<i>Number of associations</i>
Special employee at the central office.....	8
Manager of association.....	5
Editor of the house organ.....	4
Fieldmen.....	4
Department heads.....	2
Total.....	23

From the above table it will be observed that eight associations have instituted special educational departments charged with the duty of preparing information in suitable form for presentation to the members of the association, and four have delegated this responsibility to the editor of the house organ. The wisdom of the policy adopted by the other 11 associations may be questioned, since it is doubtful whether much detailed attention is devoted to educational material when responsibility for it is assumed by the manager, by the fieldmen, or by department heads, in addition to their regular duties. Most managers are so busy with detail problems of operation that they have relatively little time left for concentrating on an educational program and preparation of informational material. Where this responsibility is placed upon the fieldmen, a lack of uniformity of material and method is likely to result unless they hold frequent conferences and give to some one person the power of making definite decisions as to method and material. The same thing may be said about department heads.

An examination of the educational material used by the associations indicates that in 30 associations speeches or informal talks by the officers of the association constitute the bulk of the educational material except that carried in the house organ. There has been a tendency on the part of some associations to select individuals to perform educational service whose chief qualification was a gift for oratory. As stated above, officers and employees of the association who are engrossed in routine administrative and clerical work can have little time left for planning a consistent program of education that takes into consideration the needs of the members. Therefore,

such speakers, although entertaining, may yet give little fundamental information about the association. These individuals have their place in meetings of members and frequently improve, temporarily, the feeling and attitude of the members toward the association, especially toward the particular officer or employee. But if the cross currents of hostile propaganda and misunderstandings that may arise between the members and the organizations are to be counteracted successfully, the members must be informed in detail about the association's problems, policies, and methods of operation. There is danger that members may be "talked to death" and lose interest in attending meetings where they have to listen year after year to modified forms of the same speeches, that, while containing generalities about the value of organization and cooperation and a few new stories, give no real information as to the problems and achievements of the association. In fact, there is evidence that this danger actually threatens some associations.

In all the associations that have inaugurated special educational departments, the preparation of all programs for membership meetings is supervised by these departments. This policy promotes uniformity of subject matter as well as method of presentation, and is much more effective than sporadic and unsupervised activities. Such supervised programs, however, must avoid the appearance of being designed to defend the existing administration of the association and to prevent the members from introducing subjects which the administration might prefer not to have discussed. Opposition to an existing administration or discussion of embarrassing questions may be effectually smothered for a time. The reaction of members to this policy, however, is likely to be much more violent than if the causes of dissatisfaction are openly discussed and all aspects of the situation fairly presented.

An attempt was made to discover whether the subjects emphasized in the educational programs during the last 5 years had been planned, or were selected by accident. In only a few of the associations was there any evidence that current events had not been primarily responsible for the choice of subjects emphasized. This may be explained or excused in part by the rapid changes that have taken place in the economic situation during the last 5 years and by changing national policies. It may be questioned, however, whether the associations would not be in better condition today if they had carried on a definitely planned and integrated program of education regarding the association and its opportunities as well as discussions of changing economic conditions and national policies.

As indicated above, most of the associations give to the members the privilege of annual withdrawal from the association. Many

associations attempt to put on a series of membership meetings during this withdrawal period. This is perhaps good strategy on the part of associations which have not developed adequate membership understanding. It seems, however, to be an acknowledgment of the association's failure to expend its energies and effort toward internal organization and membership support.

Some associations, for revival purposes, have made use of issues not actually involved in the operations of the association to enlist the support of members who might feel that they were receiving no direct benefit from patronizing the organization. Some of these associations have probably gained new recruits and held wavering members by appearing to take the lead in fighting for measures that might be beneficial to all producers of that commodity. Perhaps it is good strategy so long as it works and the members do not become too analytical, but a clever opponent might some day embarrass the association by charging it with "making issues" to hide more important real issues. On the other hand, the members of some associations have been called upon to pay heavily for services which benefited nonmember producers as well as members, when the expense and attention could have been usefully employed in association affairs. Nonmembers might properly have shared such general expenses because the members of the cooperative derived no more benefits from these objectives than did other producers similarly situated.

Local Meetings

All members of the association usually feel an interest in meeting the general manager and hearing him discuss the affairs of the association. An attempt was made to learn how many growers' meetings the manager of each association had attended during the previous year. Although this information was not always available, answers were obtained from 14 associations. The average number of meetings attended by the managers of these associations was 45.8. The managers of four associations were especially active in attending membership meetings; one reported attending 75 meetings, another 79, another 100, and another 150. Managers of large associations frequently have their time so fully occupied by administrative problems that they have little time or energy left for attending meetings. In such instances, the task of attending local meetings may be neglected by the administration or delegated to other employees of the association.

Associations differ in policy toward furnishing representatives for local meetings. Twenty-two associations reported that they attempted to have some representative at every meeting of the members. Twelve associations stated that their representatives attended local

meetings only when requested by the members or by the local association. Further discussion of representatives of the association attending membership meetings will be found in the discussion of locals of centralized associations (pp. 80-87).

Associations that have a staff only sufficient to attend to the administrative affairs of the organization place an undue burden on such officers when they require them to attend local meetings in addition to performing their regular work. This results in hasty and scant preparation on the part of the representative from the central office, and usually limits the number of meetings attended to the minimum absolutely necessary to prevent insurrections or serious disaffection among the members. Many meetings, however, consist largely of speeches by representatives of the association, and unless members also participate they usually become careless in attendance. An outstanding example of this tendency might be mentioned. In one association the same officer of the organization has addressed local meetings for several years. According to the opinion of the members, he is not an "interesting speaker", is inclined to be a bit tedious, and has used about the same speech or arguments and methods of presentation for many years. The result is that members refrain from attending meetings at which he is scheduled to speak.

It may be advisable in this connection to point out that the success of local meetings depends upon some details of preparation that are often ignored or overlooked. It would seem that a suitable place, adequate heating and ventilation, sufficient lighting and comfortable seating might be taken for granted, but association managers report that where they have been taken for granted these very simple essentials have often been overlooked. Associations that hold successful local meetings have, therefore, worked out a technique of getting these essentials attended to by individuals in charge of local arrangements. This is comparatively easy where the individuals in charge of the local arrangements are in the employ of the central organization. Instructions can be issued by the central office and their fulfillment expected. However, where arrangements are in charge of volunteers who are not employed by the central organization, cultivation of a feeling of responsibility on the part of such volunteers is necessary if satisfactory results are to be secured. This may be done by putting those in charge of local arrangements on record by means of a letter pledging that preparation to take care of these essentials has been made. An excellent example of such pledged cooperation is given in the appendix.

Thirteen associations reported that all programs prepared for meetings of the local associations were prepared or approved by the central office before the meetings were held. It seems more satisfactory to have the central office skillfully guide the preparation

of the program and leave most of the details to the local. Some supervision of discussion, however, seems to be necessary if local meetings are to be uniformly successful and satisfactory. Responsibility for the various factors contributing to a successful local meeting must be delegated to and accepted by some individual if the necessary chores in connection with holding a meeting are to be properly looked after. Examples of the details that a central office may delegate to local committees and the responsibilities that can be successfully assumed by individuals who will contribute to making the local meeting a success are found in the Appendix, sections *a*, *b*, *c*, and *d*. It will be noted there that an officer of the central association requests the district office to have the local officers make the plan for the meeting of each local association and return the plan to the district central office. Detailed plans or suggestions for the program are submitted by the central, and the local committee is expected to report back to the district office the acceptance of these plans or the extent to which they have been modified. This procedure promotes definiteness of purpose and facility in execution of such plans. Particular attention is called to the method of getting attendance and the statement in the plan, "We want the folks we invite there, and the local officers are the ones to do it."

Fourteen of the forty-seven associations stated that the programs of local meetings were designed primarily for members. These same associations stated that notices of the meeting to be held are prepared in the central office and mailed to members directly therefrom. Eight associations reported that field representatives of the associations supplemented the efforts of the central association to get attendance by using cards and the telephone to notify members of the time and place of the meetings. Only 16 of the associations included in this survey reported that they had "satisfactory" attendance at these local meetings. Some of the others stated that it was almost impossible to get sufficient attendance to warrant holding the meetings. Further discussion of local meetings will be found under the discussion of locals.

Associations were asked: "What has been the most effective means of getting attendance?" Nine answered "food and a good program", seven answered "food" and three answered "a good program." Others reported that they had had poor or indifferent success in getting attendance. Serving simple refreshments after a meeting costs but little and gives those in attendance an opportunity to make a social event of the occasion and to get better acquainted, thereby developing a feeling of group solidarity and mutual understanding. Those associations who have served refreshments, without exception, reported that they believed it worth while.

There is no uniformity of method of providing refreshments at local meetings. Some organizations pay for the refreshments from the treasury of the association. Others encourage the community to supply refreshments. These stated that they feared that if the organization provided the refreshments from the treasury of the association, there might be some criticism from local members for using the funds of the organization for such purposes. Others reported that they had found no criticism from local members for such use of funds provided it was done in moderation. One association makes a practice of engaging the local ladies' club to sell refreshments, thereby gaining the good will of the community. It may be questioned whether this is as effective as it would be to have the women in attendance at the meeting instead of being engaged in the preparation of refreshments and looking after the dining room while the business of the organization is being discussed. A few associations stated that it was their opinion that simple refreshments, such as coffee and doughnuts or ice cream, at the end of the meeting, were as effective in promoting good will and a community feeling as more elaborate refreshments would be.

It is very important that local meetings designed to serve as channels through which information may pass from the organization to the members, and vice versa, should be planned by the central office if any uniformity is to be achieved in membership meetings. The management of an association has a right to expect that the members will receive an accurate account of the stewardship of the management, the achievements and progress of the organization, and the problems which the organization is facing. It also has a right to expect that membership meetings will reflect to the management the approval or disapproval, on the part of the members, of the policies and achievements from time to time, and the degree of understanding which the members have of the position of the association. This cannot be secured by merely calling members together from time to time in meetings that have no direction or definite program. Associations that are building membership understanding and a sense of ownership and responsibility have someone responsible for what may be designated as an educational program.

A lack of successful local meetings is one of the greatest weaknesses of the federations. Usually the responsibility for such meetings is left entirely with the local manager or the board of directors. The central association, therefore, discovers that some local associations have successful meetings annually, or oftener, with excellent membership morale resulting, while other local associations fail to have a quorum and, therefore, have a membership poorly informed regarding the operations of the local association and a great deal of misunderstanding regarding the operations of the central organization. It

would seem, therefore, to be highly desirable that local associations give up a portion of their "independence" in regard to holding local meetings and encourage direction from the central office, in this way promoting a uniformity of successful membership meetings in local associations and, consequently, uniformity of understanding among all the members served by the central association. Members of local associations have much difficulty allocating the responsibility for results between the local association and the central organization. Dissatisfaction of members may be entirely due to the policies and operations of the local association, but so long as local managers are "human" there will be a tendency for some of them to "pass the buck" or at least not to assume voluntarily the responsibility for any causes of dissatisfaction that may have arisen unless the central organization can present its case directly to the members of the affiliated local association.

Unless the programs for local meetings in centralized associations are prepared by the central office and supervised, there is likely to be the same tendency of district managers or local representatives to fail to defend the management and the policies of the central organization. On the other hand, managers of local associations, as well as district managers of centralized associations, may be expected to defend their own position or at least to be reluctant to admit publicly that the cause of any local dissatisfaction might properly be attributed to themselves.

Annual Meetings and Reports

The bylaws of practically every cooperative association provide that there shall be an annual meeting of the members or of delegates representing the members. Because this gives an opportunity for the management to bring members and delegates an account of its stewardship and of the association's progress, some associations make considerable effort to obtain a good attendance. They may even incur considerable expense either by paying the expenses of delegates or in providing the program. Sometimes the principal item is a luncheon for the members and delegates. Among the eight largest associations, one spent approximately \$10,000 for the annual meeting, another \$8,656.80, another \$8,355.78, and another \$1,526. No other association reported spending more than \$1,000 for its annual meeting.

Entertainment of the members or delegates is a major feature of some annual meetings, no doubt increasing attendance and contributing temporarily to good feeling among some of the attending members. It may arouse resentment on the part of some others unless, in addition, the association has presented an adequate report of its condition and year's operation. Some members may feel that the

entertainment is a cloak behind which the association is seeking to hide while it neglects more important features which should be included.

Associations which do not pay the expenses of attending delegates or members may have a very limited attendance. This situation has often been attributed to lack of interest on the part of members. It would seem, however, to be rather an indictment of the type of program prepared by the management and the efforts made to obtain attendance. The same principles which were suggested previously for getting attendance at local meetings might increase the attendance at annual meetings to a surprising degree.

Material of greatly varying types is presented by the management of associations to the members or delegates assembled in annual meetings. Some associations give detailed reports of their operations and present balance sheets showing their financial condition. One association included in this study had on the program, at its last annual meeting, a representative of the firm which had audited the association's books, to discuss and explain the association's financial position. Unfortunately, comparatively few associations make such an earnest effort to acquaint their members in this way with the association's operations.

At most annual meetings the manager or the president of the association presents a report of the year's operations. Sometimes these reports are more or less casual. Some of them are even in the nature of organization or "pep" speeches which leave the member little better informed of the condition and problems of the association than he was before the meeting. Others deal with interesting subjects which are not particularly related to the operations of the association.

There is evidence that some managers and boards of directors are a bit in doubt as to what should be included in an annual report designed to be presented at the annual meeting and distributed to all members of the association. A really functioning director should have no difficulty answering this question if he would ask himself, "What would I, returning from a year's stay in Europe, want to know about the association?" A great many of the members are as intelligent, and therefore as inquisitive about the affairs and progress of the association, as a director. Certainly a director, after a year's absence, would not be satisfied with general statements but would ask for much detailed information. Just such information should be included in the annual report which is presented and distributed to the members. Supplying such information at an annual meeting would probably create interest, and would certainly enable the members of the association to judge more intelligently the effi-

ciency of the management and to understand the problems being faced by the association.

It may be assumed from the preceding paragraph that all associations prepare and distribute an annual report of the association's activities, but a careful examination of associations shows that this practice is by no means universal. The annual reports of some associations are very casual, or even fragmentary. Sometimes they consist principally of a speech by the president or manager which is more in the nature of propaganda than actual detailed information. A few associations, however, have made a practice of issuing for distribution among all members a rather complete history of the year's operations. One association has issued for several years the "Story of the Year", which has been given wide distribution among the members. Some Pacific coast associations have issued such comprehensive reports on the year's marketing operations that they have been used in other parts of the country as educational material in connection with marketing courses. Full and complete annual reports seem to be reflected in a loyal membership whose loyalty is based on knowledge and understanding.

An annual report to the members should include a financial statement or balance sheet with explanation sufficient to enable the average member to understand the financial condition of his association. A comparison of the volume of business with that of preceding years and the cost per unit compared with the cost per unit of preceding years should also be included. Variations in volume or cost per unit should be honestly explained, so that the members can understand the reasons for any changes that have taken place. A discussion of the marketing practices and the reasons for such practices or any changes in marketing practices should also be included. The annual report should be carefully prepared, so that it will be clear and understandable and reflect to the members the relative position and condition of the association at the end of each fiscal year.

Fieldmen's Opinions on Information

In connection with this study, 61 fieldmen from eight cooperative marketing associations replied to the fieldmen's questionnaire. As might have been expected, the fieldmen from each of the associations had their own peculiar problems. For this reason the replies to some of the questions were not used in this discussion since they were not of sufficient general interest to other cooperative associations. Copies of the answered questionnaires were sent to the associations concerned upon request.

In answer to the question, "Should members be given all the information they might ask for regarding the association?" 45 fieldmen

answered "Yes" without qualification and 16 answered "No." The following reasons were given by the 45 fieldmen who held that members should be given all the information requested:

<i>Number of replies</i>	<i>Reply</i>
20	It is their association; they have a right to know.
17	Creates confidence in association; justifies its actions.
6	Creates satisfaction.
4	Association can't succeed otherwise.
3	Less doubt and destructive criticism.
2	Promotes cooperative spirit.
1	Brings officers and members closer together.
1	More intelligent voting.
1	Partial knowledge is dangerous.
1	Members check on soundness of operations.

The 16 fieldmen who replied that members should not always be given all information requested gave the following reasons for their belief:

<i>Number of replies</i>	<i>Reply</i>
5	Members may not understand situations; get wrong impressions.
5	Information may reach competitors.
2	Depends on the individual asking.
2	Might be misused or used for purposes of propaganda.
1	In order not to stimulate hopes that cannot be realized.
1	Not trade secrets; everything else.

An analysis of these reasons seems to indicate that most of the fieldmen who answered "No" are, after all, favorable to giving members a reasonable amount of information about their association. Those who answered, "Members may get 'wrong impression' if given full information", appear to lack confidence in the methods used to supply information. If the information is sufficiently clear and definite, there appears to be no reason why the average member should not get a correct impression—unless the association has some skeletons in the closet that it is seeking to hide.

It will be noted that five answered, "Information may reach competitors." There can be little doubt that certain types of information might temporarily be withheld from members because of competitive situations. For example, if a tobacco association were negotiating for the sale of a large quantity of tobacco, information about such negotiations at a particular price should temporarily be withheld from the members of the association. Care should be taken, however, not to use this as an excuse for withholding from the members information about any pertinent facts relating to the association's operations and its financial condition.

While no data are available for comparative purposes, it appears that the fieldmen are less inclined to withhold information on the

excuse that it "may reach competitors" than the management of some associations. Any difference between the attitude of the fieldmen and the management on this question may be due to the fact that the fieldmen are more closely in contact with the members and, therefore, inclined to take the members' point of view. It is particularly disconcerting to a fieldman to have his association withhold information from him and from the members, and later to learn certain facts about the association from competitors or from current gossip. Such a situation does not inspire confidence in the members and makes the task of the fieldman doubly difficult. A fieldman without complete information on such matters as have been concealed is helpless to combat the gossip and propaganda of competitors, and his morale is inevitably weakened.

The interests of the stockholders of some corporations (not cooperative associations) have in the past been betrayed by the board of directors and the manager. The natural result has been a demand on the part of the stockholder and on the part of the governmental agencies regulating corporations for more complete information, so that they may determine whether the directors have been safeguarding the interests of the stockholders and not using their positions to derive lucrative contracts for themselves or corporations in which they are interested.

There is some evidence that a change has taken place in cooperative associations in regard to the amount of information which should be supplied to members. Some associations have adopted the policy of furnishing their fieldmen with complete information and allowing them to attend meetings of the board of directors. A few associations, however, still exclude fieldmen from these meetings. This does not increase the morale of the fieldman and his ability to develop confidence among the members. Among the reasons given why members should be furnished all the information requested, it will be noted that 17 of the fieldmen answered, "Creates confidence in the association and justifies its action." Doubtless the 20 fieldmen who answered, "It is their association; they have a right to know", would unanimously assent to the statement of the 17 fieldmen who replied, "It creates confidence in the association."

Confidence is perhaps the keystone to membership morale. Certainly a lack of confidence in the association or in its officers will quickly be reflected in the members' loyalty to the association. For this reason, everything that contributes to the building up of confidence among the members should be used. For this purpose nothing can take the place of information.

The role of a fieldman in an association inclined to withhold information from its members is indeed a difficult one. He is expected

to keep the members supporting the association. His job depends on the results he gets in this respect. Where there is factionalism within the board of directors, or where true conditions of the association are concealed, the fieldman is on the defensive when he approaches the members, and there is danger that he will resort to "insincerely handling the truth" in order to produce with the members the results demanded of him. Any such conduct on the part of the fieldman acts as a boomerang to both the association and the fieldman. Members lose confidence in him and in the association which employs him.

In answer to the question, "For what type of information regarding the association do members show most desire?" almost one-half of the fieldmen in the eight associations gave answers which might properly be grouped under the general answer, "Financial standing and overhead costs of the association." This seems to be rather significant, when only 25 answers to this question were received. These answers came from fieldmen representing different types of cooperative marketing associations. General statements and propaganda may answer some questions asked by the members in their quest for information, but only specific statements can satisfactorily answer these questions which the fieldmen reported as most commonly asked. This point is further brought out in the replies of fieldmen to the question, "What argument do you use to meet criticism?" when more than half of the fieldmen answered, "I give a detailed explanation of the true facts." A further side light on this is contained in the answers of the fieldmen to the question, "What could the association do to remove these criticisms?" when more than one-third of the fieldmen of these eight associations answered, "Give out complete information and keep in touch with local sentiment."

Training Local Leaders

Some associations make no attempt to have officers and employees of the association meet the entire membership in frequent local meetings. A few make no attempt to have the members meet at any time for formal discussions of affairs of the association, but depend almost entirely upon the fieldmen to solicit continuous patronage and new business from the producers in their respective areas. Other associations, however, have attempted to develop local leaders by calling them together in group conferences for 1 or 2 days at a time. At these conferences, the officers and members of the association meet with the local leaders and intimately discuss the anticipated, as well as the current problems of the association.

One association which previously had relied on local meetings has for the last 2 years employed the group conference and reports greatly improved results in increased membership, in the association's

tinues to increase there is a possibility that unsatisfactory economic conditions within the industry may be blamed on the association. Such associations might profitably anticipate any such development by a frank and realistic discussion with a few leaders from each community of the possibilities of such unfavorable developments. If unfavorable conditions should then develop, the affected associations would have a first line of defense against unwarranted criticism by having some adequately informed members.

Cooperative associations frequently have to change policies or methods of operation because of changing economic conditions. While the responsibility for making such changes must necessarily rest upon the management and the board of directors, the members should be acquainted with the reasons for such changes. It is important also that the reasons be given the members soon after the changes have been inaugurated. A group of leaders from various communities, who have been kept well informed, can assist the management in explaining the reasons for changes in policy or method of operation.

Unless conditions change so rapidly that new policies or methods of operation are initiated suddenly, it would be helpful to the management and the directors to discuss pending changes with the local leaders. However, it may be dangerous to discuss necessary changes with the membership before such changes have been inaugurated because a division in sentiment might be created among the members, and tie the hands of the management. With the assistance of a few well-informed individuals from every community, it is easy for the management to explain to the members the reasons for changes that have been found necessary.

One fluid-milk association has recently done some outstanding work in supplying its local or community leaders with economic information regarding the factors that influence price and therefore determine the price policies of the association. This was done by mailing to the local or community leaders—the key men of the membership—a series of charts with “explanations.” These explanations covered one page and were supplied to selected individuals over a period of a few months. The frankness of this association in discussing its economic problems with the leaders, by means of the charts and the explanations, is outstanding in that they discussed frankly the reasons for probable lower prices. For example, the first explanation began with the following observation:

This chart was made up from tables of the 1935 agricultural year book and from the * * * Bulletin. If you will study this graph you will observe that the price level of our dairy products during the past 5 years (1929-34), as shown by the solid line, has been above the price of other farm commodities. This is one of the economic reasons why many of our fluid-milk producers are increasing the

size of their herds and why many of our producers of other farm commodities are going into the milk business. It is only natural that when a farm-commodity price is above other farm-commodity prices the farmer will turn to the production of that higher-priced commodity.

Explanation No. 4 dealt with the comparison of New York prices of 92-Score and Copenhagen butter, butter imports, and oleomargarine production from January 1934 to October 1935. In that connection the association made this observation:

During the first 6 months of this year almost twice as much oleomargarine was produced and consumed in this country as during the same period the preceding year. This is due mainly to the high price of butter during the past winter. High-priced butter usually means increased oleomargarine consumption.

Explanation No. 3 dealt with the chart showing the index of farm price of butter and milk for the market served by the association. The explanation for this chart contained these observations:

Whenever the price of any one commodity remains above any other commodity, the producers tend to increase the production of that commodity. This is one of the reasons why dairymen have had a tendency to produce more milk in the past 5 years during the depression.

It has often been questioned whether the association basic price should not have been dropped along with other agricultural commodities during the years 1929-30 in order to prevent an overproduction of fluid milk in the area. Many economists feel it was a very poor policy on our part to maintain the price of class-I milk above the price level of other agricultural commodities in the area.

Explanation No. 24 related to production changes, comparing five important commodities, 1924 to 1934, inclusive, and carried these observations:

During all these years our milk production has increased and we have had a slight decrease in hog and cattle production. This is due mainly to the fact that the dairy farmer could make a little more profit producing milk than the hog and cattle farmers could.

We as milk producers have continuously increased our milk production and are now wondering why we have a surplus of milk on the market and are unable to maintain a good price for our milk. If automobile, steel, and other industrial producers are to be controlled by large corporations and they control their production to keep it in line with consumption, we must do the same thing as dairy producers; that is, we must work out some plan to only produce the amount of milk at the season of the year that our consumers want it.

Local leaders supplied with such information as the above will be able to assist the management of this association in explaining the reasons for lower prices if the association finds it advisable to adopt lower prices in order to protect its market. The understanding of the economic problems on the part of local leaders developed by this informational series would greatly assist the management in developing understanding of such problems on the part of the entire membership.

A few cooperative associations stated at once that the staff was inadequate to hold many community meetings. This difficulty can be overcome by training other individuals who will assist voluntarily in carrying the program to the local communities. An excellent example of what can be accomplished in this way can be drawn from the extension service of a Southern State. This State has requested the land-grant college to prepare each year what is commonly known as the annual outlook report. The extension service, of course, would be able itself to carry this report to relatively few communities because of its limited staff, and therefore has developed a system of volunteers for taking it to the local communities. The program works something like this: The extension service meets groups of county agricultural agents in different parts of the State along with any other agricultural leaders whom the county agricultural agents may be able to bring into the group meetings. To these group meetings the extension service presents the annual outlook report for discussion, devoting as much time as is necessary to acquaint the county agents and agricultural leaders with the report and with the most effective method for presenting it to farmers. The county agent, in turn, takes the program back to his project leaders from the various communities and presents it to them, together with suggestions for presentation. He encourages discussion until he feels assured that the project leaders are acquainted with the report and are able, in turn, to present it to the local county agricultural club. In this way the annual outlook report is carried to a high percentage of the farmers in the State by volunteer effort which supplements the work of the agricultural extension staff.

This enlistment and use of volunteer effort also has other virtues. It trains leaders and enlists much more active support of these potential leaders than could be secured if they were only auditors instead of participants in the propagation of the information desired. Edward Eggleston, in the *Hoosier Schoolmaster*, tells the story of how the schoolmaster enlisted the assistance of the bad boys who were going to run the teacher off by giving them something to do and making them believe that he depended upon them and appreciated their assistance. Giving local leaders something to do and showing them how to do it is the secret of enlisting personal loyalty and multiplying the influence of the employed personnel in any organization.

Women's Assistance to Cooperatives

Only one of the associations visited during this survey has set up a definite "woman's auxiliary" as a supplement to membership organization. This association has provided for the selection of "advisory committee women." The feminine members of the homes represented

through membership in this association choose 41 such committee women who attend their respective district meetings and the general annual meeting of the association. This association reports that the women's auxiliary has stimulated interest on the part of the entire family of many a producer affiliated with the association, and in many cases has reinforced the determination of the member to stand by his association. The president of this association, speaking of a period of adversity through which the association had successfully passed, stated:

It has been the loyalty of the membership that has carried us through, and that loyalty and farsightedness could not have been maintained had it not been for the knowledge that the women of the organization were behind it in its objective and for the support they gave it.

When the farm family, rather than only one representative, participates in meetings at which the affairs of the association are discussed, it is reasonable to expect that more information will be carried back to the farm to provide conversational material for members of the family. As this material is discussed and reviewed, a fuller understanding of the affairs of the association is had. The farmer's wife is often as much interested in marketing the products of the farm as her husband. Moreover, the presence of two or more representatives from a family offers the association more assurance that its message and information will be carried back to the farm.

It is perhaps easier to stimulate and maintain the interest of the farm women in some commodities than in others. Those commodities which move to market weekly or oftener, such as milk, butter, and eggs, may enlist more of her interest and attention than those which move only once a year. There may be a correlation also between the size of the farm business and the interest which can be stimulated among farm women. Perhaps wives of producers of more than average quantities, because of their economic position, are more interested in affairs which concern urban women, and therefore would not be interested easily in a community local or a discussion of marketing methods employed by their husbands.

Other associations, without any formal effort, have made material progress in the last few years in obtaining the interest of farm women by making each local association meeting a community affair and directing as much effort to secure the presence of women as men. Programs are prepared under the auspices of the association in such a way as to permit participation of the women and children, thus encouraging their attendance.

It appears that the successful development of local meetings which secure the participation of the entire family is dependent upon a relatively homogeneous community population, devoid of any tend-

ency to emphasize racial, religious, or social differences. Communities differ widely in this respect. Some have elements of foreign population speaking only broken English. It requires tact and cooperation of all leaders in such a community to develop satisfactory meetings. Some associations admit that they have found the task beyond their ability and have discontinued efforts to develop community interest and participation in association affairs. However, this is an admission of failure to develop local leadership and to make such leadership function for the benefit of the association and the community.

A great many associations have confined membership work almost entirely to having their officers and employees address the association's members from time to time. This has failed to stimulate farm women's interest in the affairs of the association and, in many cases, to arouse the interest of the men of the family.

One cooperative purchasing association having as successful local meetings as any association visited in connection with this survey holds comparatively infrequent local meetings, but has made a point of combining business with entertainment of the entire community. As many women as men generally attend its gatherings. Details of the program are worked out with great care. Someone at the central office of the organization makes suggestions for, and finally approves, all programs that are planned, thus insuring that the business of the local meeting will not be neglected for the entertainment.

This association makes a drive to secure attendance and about 10 days before the meeting mails from the central office to each member a notice of the meeting to be held, stating the time and place. The local representative then follows this up, 2 or 3 days before the meeting, by another notice reminding the members that the meeting is to be held. He is also instructed by the central office to use the telephone and local attendance committees, to see that the members attend. Then the program is such that it does not disappoint the members but makes them glad that they came and sends them away looking forward to the next annual meeting.

“Locals” of Centralized Associations

Centralized associations early recognized the weakness inherent in that type of organization with respect to membership contact and participation in association affairs. They attempted to meet this weakness by the organization of the members located around a community center into what have come to be commonly called “locals.” Some western associations, beginning as early as 1917, and some eastern associations as early as 1918, made use of this form of membership organization and have maintained it ever since. No associa-

tion was visited that had made use of this method of membership organization and later discontinued it in favor of some other form. Some had allowed local interest to lapse so that the locals had ceased to function. Some cotton associations began the organization of locals in 1922 to 1925 but discontinued such organization when it was found they "could not organize the 'locals' of cotton growers with cotton-grower membership for cotton purposes only."⁷

Of the associations visited, 15 used this type of membership and community contact. Such units as have been discontinued in these 15 associations have been consolidated with other locals, due largely to changes in methods of transportation and the development of good roads, which shifted the community centers and made desirable fewer units with larger membership.

Centralized associations that handle a commodity marketed only once a year have few occasions for making economic contacts with the members. During the time between the marketing of one crop of grain, tobacco, cotton or wool, and another, members are likely to give little thought to association affairs until a new crop is about ready for market, especially if the association has made full settlement for the earlier crop at the time of delivery. Such associations have not been particularly successful in developing locals that functioned satisfactorily. Most of these associations, however, are acutely conscious of the need of stimulating a wider interest and more active participation in association affairs on the part of their members.

Associations handling commodities which come to market more frequently have found that some form of membership organization, for purposes of contact with members and for encouraging their participation in association affairs, is highly desirable. Such local organization enables the management to inform members quickly about new policies made necessary by changing conditions, to explain reasons for changes in policy, and to obtain reactions to such changes directly from members. Without some such means of contact or channel of information between the membership and the management, quick changes in policy might promote serious difficulties, with disastrous results to the association.

Since the success that has been attained in organizing membership has been generally greater for associations handling fluid milk, poultry, and eggs than for those handling commodities that are marketed less frequently, one might be justified in concluding that it is easier to maintain member interest and participation among producers whose product is marketed frequently. This, however, makes more acute for those organizations handling commodities that come to market only

⁷ American Institute of Cooperation. AMERICAN COOPERATION 1926, p. 234.

once a year, the problem of organizing members for participation in association affairs, so as to provide channels of information between the management and the membership.

Supervision Necessary

The smooth functioning of locals depends to a large extent upon the amount of assistance and supervision rendered by the central organization. A few associations reported unsatisfactory experience with locals. In such cases the organization of locals appears to have been undertaken on the assumption that a local would run itself after it had been formed. Getting a group of individuals together, having them select officers and prepare a membership roll gives no assurance, however, that the local will function as a live unit of the association.

Without follow-up work and direction from the association a local may prove to be a distinct liability rather than an asset. It may become a source of dissension and of embarrassment to the association unless information regarding the operations of the central association and directions for the presentation of this material are provided. Lack of supervision and assistance to locals has been responsible, in some instances, for managers' fearing the organization of locals as fertile sources of agitation and disturbance of members. Where adequate guidance and assistance are supplied by the central association, however, local organization of the membership around a community center has been helpful in developing interest and understanding on the part of the membership.

Several associations have favored consolidation of locals in some communities because of incompetent local leadership, with resulting lack of interest on the part of members. Under these conditions consolidation with a unit in another nearby community, where competent local leadership was available, was found advisable. Six associations having locals reported no consolidation nor abandoning of locals that had been organized. This should not be construed, however, as indicating that these six associations had developed adequate leadership and had successful locals functioning in every community where they had been organized.

Provisions for Financing Locals

Fifteen associations that reported locals were visited in the course of the study. They differ in their methods of financing locals; only two make deductions from marketing proceeds for this purpose; the others leave this matter to the locals themselves. Of these others, six

report that the locals require a small membership fee from each member; two report that their locals disburse marketing proceeds and make deductions themselves; the others that their locals depend upon ingenuity and voluntary effort of members. Because of this variety in methods of financing the locals, a comparison of the cost of membership contact and education in these cooperative associations has little meaning. The expense per member in an organization that makes deductions for financing the locals might appear to be greater than in an association that makes no such deductions. As a matter of fact, the members bear all the expense of both the central and the local organization, regardless of what method of financing is used by the central association or by the local.

Where the financing of locals is left to them and not assumed by the association, a variety of means is used by the locals for raising money. Some rely upon donations; others raise money by suppers, plays, or other group efforts for which a charge is made. When locals are financed in this way the cost of maintaining them does not appear as an expense on the operating statement of the central association because it is borne directly by the members or the community. Such variety of methods used by locals financing themselves gives a comparison of this type of cost little meaning, even where information regarding the expenditures of the locals can be obtained.

Employed or Voluntary Local Leadership

Some associations maintaining locals pay the president and secretary of such locals for their services. Some locals which finance themselves pay their secretaries \$25 or, in a few cases, \$50 per year for serving as secretary of the local. In other associations the officers of the locals serve without compensation. In one association that has had outstanding success with its locals no officers of the locals receive any compensation for the duties performed. These two methods of operating locals suggest some fundamental questions that might well be considered in this connection. For example, the question may be raised whether it is advisable for an organization to encourage the belief on the part of the members of the association that any member who performs any service for his own organization should expect to receive some compensation for his efforts. Do individuals aspire to those positions of leadership and service because of a desire to receive financial reward, or because of interest in the association and a desire to assist in promoting the welfare of the organization? Even if such leaders are paid only per diem, will they tend to spend much time "working for the association" as they can, and will they abuse the position of officer of the local group? May not the concept of a local

officer's duties become more political than economic and social and thereby lead the local officer to use his position to promote himself to more lucrative positions in the association? "From jailor to Congressman" was at one time the political motto in some sections of the country. From local president or secretary to county president, director, or executive committeeman might become the unconscious aspiration of men who are paid for everything they do for the association.

It seems that there is little, if any, correlation between the successful organization of locals and the compensation received by their officers. For example, in the above association in which no officer of any local received any financial compensation, there was evidence that these officers devoted more time and energy to their work than the officers of locals in some associations that pay for this kind of work. Because this association has been so successful in organizing its members for participation in association affairs, its methods are described in some detail.

This association handles a commodity that moves to market two or three times per week. Its organization set-up is of the centralized stock type. It has 26 district managers. Each district manager is held responsible for the membership in his district. The association has 17,000 members, grouped into more than 50 locals. These locals meet nine times each year, from September to May—eight monthly meetings and one visitors' meeting. They also hold a picnic in the summer. The presidents and the secretaries of the locals around each district office come together once a month for a luncheon and an afternoon meeting at the branch office. These district organizations of officers and locals are called "united locals." Each united local works out a program during the summer for the locals in its district, arranges for a representative of the central or district office to appear on the program of each local during the season and sets the dates of these appearances. It designates meetings that will be held for social purposes, such as "ladies night", "informal night", "young folks' night", as well as the time for members of one local to visit another nearby local. The united local, in this way, assumes responsibility for regular meetings and functions as a means of contact between the association's central or district offices and the individual members of the association. No other association, of those studied in this survey, has obtained a fuller participation of its membership and more frequent contact between the members and the management. The members of the united locals have a score for attendance at the luncheons and afternoon meetings that would be envied by any officer in any service club of the town where the meetings are held.

It may be pointed out in this connection that this voluntary effort on the part of local community officers seems to set the pattern of unselfish service that prevails through the entire organization. However, the pattern of local organization and unselfish voluntary effort has probably been set by the officers of this association, as should be true in every association. The 15 directors of this association receive only \$5 per diem for attending board meetings, and no director is employed to do field or organization work at any time. Any director, except the president, who accepts a position with the association, resigns forthwith as director and thus avoids criticism because of serving in the dual capacity of employer and employee.

The maximum voluntary effort and participation that is obtainable in a cooperative association seem to be desirable. When leaders serve the association without hope of any other reward than the compensation of having a part in building something for the benefit of the community, a member holding no position is less likely to refer to the association as "they" and more likely to feel a keener interest in the affairs of the association and a greater desire to emulate the example of these leaders. There seems to be inherent in most individuals a desire, or at least a willingness, to perform some public service for the community without demanding any financial compensation. From such voluntary sources most of our social institutions derive their leadership as well as their support. Churches, lodges, civic clubs, and similar organizations succeed or fail, depending largely on the degree to which this spirit is present in their officers and members. Wise leadership in such social institutions has attempted to secure the fullest participation of the membership by giving, insofar as possible, to each member the responsibility for performing some duties for the group. These duties are usually accepted gladly by individuals if the organization has real leadership.

Religious, civic, and social organizations are conscious of the value and efficiency of voluntary effort, when carefully supervised and directed. It may be questioned whether cooperative associations have not neglected to make use of this willingness of individuals to labor for the success of organizations of which they feel they are a part. Performing such voluntary service increases the individual's self-esteem. His efforts and cooperation are appreciated much more by the rank and file when he serves without compensation than when he receives pay for every hour devoted to promoting the welfare and interest of his group. His example and counsel are accepted more readily and his position of leadership is much more effective.

Contact Between Locals and Central

As intimated above, locals cannot be expected to run themselves satisfactorily. Means of supervision or contact between local and central must be provided, if the difficulties previously mentioned are to be avoided. Some organizations have developed to a very high degree in methods of using voluntary effort in this respect. Some dairy organizations hold quarterly district conferences, where the officers of the various locals meet for 1 or 2 days with the management of the central organization to consider the progress, marketing, and other problems of the organization. These local leaders or officers are able to report to the local membership what they have learned at the district conference. Such participation in affairs of the association develops for the central organization a line of defense which can be called into action quickly if any unexpected difficulties arise within the organization.

One dried-fruit association that has during the last few years faced complex and difficult marketing problems has developed local leadership that serves, without compensation, as a channel of contact between the membership and management. This voluntary effort, perhaps, is largely responsible for the amazing loyalty of the members who have stood by this organization, sometimes at a financial sacrifice to themselves. This association makes use of monthly luncheons for the presidents of the locals. They prepare their own luncheon program. The afternoon is devoted to meeting with the management of the association for discussing such problems as are timely and of mutual interest and importance. After these monthly meetings each officer reports to his local, and then sends the management the minutes of the local meeting. These minutes report not only what was done at the local meeting but the attitude of the members toward the policies and progress of the association. Although this organization handles a crop which comes to market only once a year, it has been able to maintain a high degree of interest and a remarkable loyalty on the part of its members.

Several years ago, before the development of this voluntary effort and the monthly meetings of local officers, this organization maintained a field-service staff that cost something like \$70,000 a year. The management reports that efforts of the voluntary workers have been even more successful than those of the paid field-service staff in maintaining the interest, morale, and loyalty of the membership. It is reported that the voluntary workers are developing among members a feeling of responsibility and cooperation which the field-service staff was unable to arouse. In fact, the management and some of the voluntary workers in this association now believe that the field-service staff hindered the development of this spirit of

cooperation and loyalty because, through its efforts to obtain compliance with marketing contracts, it came to be regarded as a police agency.

Expense of Membership Service

AN ATTEMPT was made to obtain from each of the associations interviewed an estimate of the expense incurred by each in administering membership service. In those associations having special membership departments this was comparatively easy to obtain. In those associations where the membership contact or educational work was handled by employees of the association as incidental to their regular duties, the compensation received by such employees had to be allocated in proportion to the estimated time each such employee or officer devoted to that particular work. Such allocations are at best only estimates, but they were made with a reasonable degree of accuracy in consultation with the officers of the association. Where the association had no manager of the field department and no house organ, an allocation was made for any officer or employee who devoted as much as 10 percent of his time to fieldwork or to management of the field department.

The following schedule, intended to reveal the total cost of administering the membership service as well as the costs incurred under the headings listed, was used to obtain these data:

Name of association.....

OPERATION EXPENSE		Amount
Gross income.....		\$
Salary, manager field department.....		
Travel, manager field department.....		
Salaries, field and membership education.....		
Annual cost of house organ and news letters.....		
Publicity.....		
Meetings.....		
Fieldwork and soliciting (not included above).....		
Refunds to locals or expense of locals.....		
Other expense incident to membership.....		

The expenditures for membership administration and field service and for field service alone, as set up on the books of the associations appear in table 12. These allocations were made in cooperation with the officers and employees of the associations as amounts chargeable to administration of membership.

It will readily be seen that there is a great range in the cost of administering membership service and that there is apparently no relation between the number of members and the cost per member.

Table 12.—Cost of Membership Administration for 44 Associations in 1934

Annual average cost per member of—		Total annual cost of—		Number of members
Membership administration and field service	Field service	Membership administration and field service	Field service	
\$20.50	\$4.88	\$25,623	\$6,100	1,250
19.71	18.82	10,050	9,600	510
17.46	17.46	11,069	11,069	634
16.60	16.60	18,527	18,527	1,116
13.43	2.86	466,865	99,299	34,774
12.09	11.43	16,930	16,000	1,400
8.32	7.66	15,370	14,150	1,848
7.61	7.04	43,754	42,507	5,751
6.36	4.28	69,464	46,764	10,929
6.15	5.19	82,991	70,146	13,500
5.98	.54	36,032	3,270	6,020
5.40		27,011		5,000
4.82	2.33	40,622	24,444	10,500
4.14	1.35	289,848	94,211	¹ 70,000
3.75	3.17	5,711	4,823	1,522
3.35	1.69	25,159	12,700	7,500
3.09		26,698		8,641
3.09	1.02	53,465	17,607	17,300
3.03	3.03	10,922	10,922	3,600
2.89	1.69	60,845	35,711	21,050
2.82	1.97	158,506	110,521	56,130
2.41	2.06	20,506	17,051	8,500
1.91	.82	29,483	12,659	15,461
1.90	1.01	132,951	70,563	¹ 70,130
1.87		28,300		15,108
1.81	1.51	13,640	11,403	7,534
1.76	1.76	14,071	14,071	8,000
1.60	1.49	7,315	6,815	4,561
1.53		12,217		8,000
1.47		1,840		1,250
1.42	.82	8,506	4,898	6,000
1.39	.60	690	300	498
1.00	.89	8,141	7,232	8,121
.87	.35	4,770	1,950	5,500
.85	.19	30,089	6,531	¹ 25,250
.82	.23	12,354	3,500	14,993
.51		3,008		5,870
.40	.40	1,450	1,450	3,633
.29	.25	17,544	14,904	¹ 60,000
.26		4,700		¹ 18,000
.20		1,526		7,793
.18	.18	2,825	2,825	15,514
.08	.06	12,253	8,771	¹ 156,511
.08		3,250		¹ 40,000

¹ Estimated; no exact figures available.

Table 13 shows the 10 associations with the largest number of members ranked according to cost per member for membership administration and the percentage expended for field service. Table 14

Table 13.—Rank in Cost of Membership Administration and Percentage of Cost Expended for Field Service of the 10 Associations Ranking Highest in Number of Members

Number of members	Average annual cost of membership administration per member		Average annual field service cost per member	
			Amount	Percentage of total cost
	<i>Rank among 44 associations¹</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Percent</i>
156,511.....	1	0. 08	0. 06	75
70,130.....	21	1. 90	1. 01	53
70,000.....	31	4. 14	1. 35	33
60,000.....	6	. 29	. 25	86
56,130.....	24	2. 82	1. 97	70
40,000.....	2	. 08	. 00	0
35,250.....	10	. 85	. 19	22
34,774.....	40	13. 43	2. 86	21
21,050.....	25	2. 89	1. 69	58
18,000.....	5	. 26	. 00	0

¹ Lowest cost per member equals 1.

² A federated service and financial organization. Expense of administering the membership units making up the federation is borne by the local units.

Table 14.—Rank in Cost of Membership Administration and Percentage of Cost Expended for Field Service of the 10 Associations Ranking Lowest in Number of Members

Number of members	Average annual cost of membership administration per member		Average annual field service cost per member	
			Amount	Percentage of total cost
	<i>Rank among 44 associations¹</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Percent</i>
498.....	13	1. 39	0. 60	43
510.....	43	19. 71	18. 82	95
634.....	42	17. 46	17. 46	100
1,118.....	41	16. 60	16. 60	100
1,250.....	44	20. 50	4. 88	24
1,250.....	15	1. 47	. 00	0
1,400.....	39	12. 09	11. 43	95
1,522.....	30	3. 75	3. 17	85
1,848.....	38	8. 32	7. 66	92
3,600.....	26	3. 03	3. 03	100

¹ Highest cost per member equals 44.

shows the 10 associations with the smallest number of members ranked according to cost per member for membership administration and the percentage expended for field service.

It is readily apparent from these two tables that there is great variation among these associations in the amount expended for membership administration and the expense incurred in field service. This is due largely to the fact that field or membership service among these associations means, in almost every case, a different thing. One of the associations with a comparatively high field-service expense pays each fieldman a commission for all marketing business done through the association from his district. Since in this case the producers are large operators and, therefore, do a large volume of business with the association, the cost per commodity unit for field or membership service amounts to very little.

A comparison of the costs incurred by these associations on the basis of commodity units would have little meaning unless some composite unit were developed that could be properly weighted so as to include equitably a dozen eggs; a pound of wool, cotton, tobacco, or livestock; a box of fruit; or a dollar of retail sales. Such a unit would have little meaning unless its relative value remained fairly constant from year to year.

The average annual salary of a director of the membership or field-service department for 18 associations was \$4,278.47, and the average expense incurred in travel, \$1,591.88. Some directors of the membership department spend the major part of their time in the office directing the activities of the fieldmen and preparing material for their use; others, in the field working with the fieldmen and supervising their activities.

The average annual salary of fieldmen for 17 associations was \$1,718.52, with a travel allowance of from 4 to 7 cents per mile plus actual necessary subsistence. Two associations had a flat allowance of from \$30 to \$40 per week for mileage and subsistence, the actual amount depending upon the mileage involved in covering each territory. One association includes a travel allowance in the fieldman's salary and holds him responsible for covering the territory adequately and performing the duties expected of him there. He is not required to make any daily or monthly report of his expenditures.

An attempt was made to analyze and compare the proportions of total operating expense used for membership service and administration. This, however, was found to be impracticable because of the variety of services performed by the various organizations. Thus the operating expense per unit has little meaning. For example, some of the organizations are bargaining associations, and therefore incur little expense per unit in performing the services for which they were

organized. Other associations engage in processing commodities and perform a great deal more service per unit at a much larger expense. Some federations engage only in marketing or in rendering some other service that leaves the cost of membership administration almost entirely to the component members of the federation.

Some centralized State-wide associations are members of regional or national sales organizations and have their operations limited almost entirely to getting members and securing deliveries from members. Membership administration consequently consumes a very large proportion of the total operating expense of these associations. Some of these State-wide centralized associations, for all practical purposes, are little more than branch offices of the larger organization and have been delegated the responsibility for performing the services of assembling the commodity.

Comparisons, however, can be made in the cost of membership service between some centralized associations that perform similar types of marketing service but have different methods of membership administration. For example, two associations handling the same commodity incur an average expense per member of \$17.46 and \$16.60. One association has only about half as many members as the other, but, since its members are larger producers, it has a greater average delivery per member than the companion association. There is relatively little difference in cost per unit of commodity delivered to the association. The number of members using the services of these two associations varies greatly from year to year, largely because of the activity of private buyers during the marketing season or the producer's idea of the need of a marketing service at the time when he is ready to market.

Another association handling and marketing the same commodity in the same way spends only \$1.91 per member on membership administration. Although this association has 13.8 times as many members as the larger of the two previously mentioned associations, its producers are smaller operators and its cost per unit of commodity handled is 87 cents, while the cost per unit handled for the other two associations in the order of their size, according to number of members, is 26 and 21 cents.

Two collective-bargaining associations, with approximately 17,000 and 13,000 members, respectively, spend \$3.09 and 82 cents per member, respectively, in their membership administration. The principal reason for this difference in per-member expense is that the association spending the smaller amount has organized its members in such a way that it makes fewer contacts with individuals and more contacts with member groups, and pays its directors nothing for the field work of the association.

Some centralized associations really have no membership or field service except solicitation for association patronage. In such instances the solicitor is paid on a commission basis on all business done with the associations in the district or territory allotted to him. This system has the advantage of putting compensation on the basis of production, but requires supervision by the central office to prevent an individual from receiving a commission for overselling or promising more than can be realized from use of the organization's services. Cooperatives whose business is particularly seasonal and whose transactions with the central association cover only a short period of time have found this compensation by commission satisfactory, provided due care is exercised in the choice of fieldmen and the supervision of their sales talk. Such "solicitors" maintain their contacts in the field throughout the year and work to have patronage repeated as well as to obtain new patrons.

Unsatisfactory situations have arisen in a few cases where a sufficient volume of business caused the fieldman's commissions to seem disproportionately large to members of his district. It might be pointed out in this connection that factors other than the effort or efficiency of the fieldman frequently contribute to the volume of business that may be obtained in his territory. In some years the services of the association are much more necessary, according to the opinion of producers, than they may be in other years. Under such conditions the members may feel that the fieldman is gathering a harvest which he has not sown.

House Organs and Other Means of Publishing News

MANY ASSOCIATIONS have felt the need of some means for sending information to their members regularly. To meet this need some of them have established house organs, which are published periodically and circulated to members. Others have used a mimeographed news letter, which is mailed regularly to members. A few associations have made arrangements with privately owned publications to carry in each issue one or more pages of material supplied by the association. Thirty-three of the associations visited in this study issued a house organ, seven used news letters, three issued news letters and also employed space in privately owned publications, two used only space in privately owned publications, and four issued no regularly published material. Three associations discontinued publication as an economy measure, but one of these used another cooperative publication, while another issued instead mimeographed news letters.

Most of the associations have made provision in their marketing or membership agreement to deduct from the patronage dividends, or from returns on produce sold, a subscription fee for the house organ. These deductions range from 10 cents to \$1 per member for a year's subscription. Most of the publications are issued monthly, but two associations issue the house organ weekly and one issues it twice a year. Three associations issue news letters weekly; one issues a news letter bimonthly; one, monthly; one, biweekly; and one, daily. The daily news letter consists principally of price quotations.

Relations Between the Association and the Press

Practically all associations reported that the public press carried information about the association. Only six associations reported that the public press carried hostile propaganda about the association, while eight associations reported that there had been some unsatisfactory relations with the press. Most associations made an effort to cultivate friendly relations with the press. Those associations, however, which reported unsatisfactory relations, had made no special effort to supply material to the press or to cultivate friendly relations with it. Twenty-one associations reported that they supplied news materials to the newspapers in the area served by the association.

A few associations had been particularly successful in cultivating friendly relations with the country newspapers. It was the policy of these associations to have their employees call on the editors of country newspapers whenever they were in the neighborhood and discuss with such editors the policies and problems of the association. In this way the editor's understanding of association problems was developed to such an extent that he was likely to examine carefully any rumors about the association before giving publicity to them.

One of the most successful editors and publicity men connected with an association that has enjoyed particularly favorable relations with the press made this remark: "I try to see every editor in our territory three times a year and give him 'confidential' information and the chance to ask questions." These visits are timed as closely as practicable with the membership meetings held in the territory of the association. This results in publicity for the local meetings and provides the editor with a background of understanding of the association's problems and policies. Under such circumstances, the support of the local editor can usually be counted upon to assist the association, unless it becomes embroiled with political factions. Some associations have difficulty in getting publicity for their releases because they attempt to issue statements from the association instead of news. A statement, to have any news interest for a newspaper,

must usually be over the signature of an individual rather than an organization; whereas, real news items can be released by "the association." Publicity men for some associations appear not to have an acute sense of what constitutes news.

News releases from an association are more readily accepted by the press if they carry the signatures of the individuals who prepare them. It is commonly believed that editors want to know who wrote the story. If the writer is an individual who has kept faith with the editors, such releases mean a great deal more than merely an association release. News stories issued by associations covering a large area need to be localized to have any particular appeal as news. One of the most successful publicity men reported that "where there are two papers in an area I write separate stories so that they read a bit differently, and therefore each paper can carry a story."

Some associations have used the country newspapers from time to time for a series of advertisements setting forth the objectives and the accomplishments of the association. The use of such advertisements and keeping the local editors informed have often produced support for the association from these newspapers, and the country newspaper is often a very potent force in molding the sentiment of its community.

Editing the House Organ

In more than half of the associations included in this study the manager edits the house organ, with the assistance of other members of the staff. Under this arrangement, the preparation of the house organ is made incidental to the regular routine duties of the manager and the department heads or others who assist in the preparation of material. Fifteen associations, however, have specialized in the preparation of the house organ to the extent that they have employed an editor who prepares the material for the house organ. In 9 of these 15 associations the editor is responsible to the manager and in 6 he is responsible to the executive committee. In one association the president is the editor, and in two associations a director who has a talent or an ambition for writing has been selected as the editor. Only four associations reported more than one person employed to prepare material for the house organ. One of these employs three persons, while one association, which issues a weekly publication, reported nine persons employed to prepare material for the house organ and to handle the advertising.

The average length of tenure for editors in 21 associations was reported as 5.7 years each. Some editors had been transferred to other positions in the association, and a few had later become managers. In several cases the editor, who might also have been engaged in other duties in the association, had left the organization.

In about half the associations it was reported that the editor was permitted to sit in meetings of the board of directors. In other associations, directors' meetings appear to be more in the nature of closed meetings, so far as personnel of the association is concerned. It would seem that the editor's attendance at directors' meetings might have some influence on the attitude of the editor toward the association, and this influence would be reflected in the type of information that was furnished to the members. Directors' meetings that are "executive sessions", or which exclude employees and members from attendance, are likely to engender suspicion in the minds of association employees and members. There was a notable difference in the morale of employees of associations which permitted the editor and other employees to attend meetings of the board of directors. "Open covenants openly arrived at" is a policy as good for business associations as for international affairs.

Only five associations reported that the manager took no part at any time in preparing material for the house organ. In the other associations, the manager read material prepared by members of the staff, and, in a few cases, prepared most of it. Some managers make a practice of issuing, through the house organ, a letter to the membership in which they discuss the affairs and problems of the association or the market situation.

Those associations which employed editors and publicity men appeared to give the editors entire responsibility for what was issued, unless it related to matters of policy. Information or a news release relating to policies was generally submitted to the manager.

The period of time over which the house organ has been issued corresponds closely, in most cases, to the number of years the association has been in existence. The type of house organ, however, has, in some cases, changed with the development of the association. Some house organs have become more elaborate with the growth of the association, while a few have become less elaborate, because of a change in policy as to the function of the house organ. A few house organs gave evidence that an aggressive newspaper editor had been able to gratify, to some extent, his ambition for an elaborate and dignified publication. In a few instances, it appeared that the opinions of the manager and directors—that the house organ should be confined strictly to association affairs and be an intimate medium of communication between the management and membership—had prevailed.

Cost of Publication

An effort was made to obtain from the associations the annual cost of editing, printing, and mailing the house organ. In a few cases, it was impossible to get accurate allocation of the time of

employees, and therefore the cost of editing was not obtained. In these cases, however, we were informed that the work was so distributed as to make it incidental to the regular duties of the employees. In table 15 is shown the cost of editing, printing, and mailing, as well as the income received from advertising, for the associations studied.

A sharp difference of opinion existed between associations as to whether the house organ should carry advertising and thus obtain a portion of its support in this way, as well as enter the competitive advertising field, or whether the house organ should exclude advertising. The manager of one association stated that the house organ was a means of communication between the management and the membership, and it was no more legitimate to expect the house organ to defray its own expenses than to expect the auditing department to defray its own expenses. Twelve associations stated that they received no income from advertising. Advertising free to members was carried in the house organ, but it was the policy of these associations not to open their pages to commercial advertising. Fourteen associations reported that they had received a combined total of \$78,286.41 from advertising, or an average of \$5,591.89 per association. A few associations, by means of advertising, are making a profit on the house organ. Three associations reported an average profit from this source of \$3,965.74 each.

Associations that carry advertising should be careful as to the type of advertising copy which they accept. The appearance of an advertisement in the member's own house organ lends to the advertisement a sort of sponsorship. If the goods advertised prove to be unsatisfactory, the member may have a feeling that he has been misled by his own organization. He is justified in expecting that his own publication will advertise only goods of demonstrated merit.

Mailing List

Practically all house organs issued by the associations included in this study were mailed to all the "members" on the association's roll and to the public officials in the area who were concerned with agriculture. All the house organs reported that they revised their mailing lists from time to time. Such revision, however, is generally confined to adding to the mailing list those individuals who have recently become members. Perhaps more subtraction from the mailing list would be profitable. A great many associations carry on the membership roll individuals who have long since ceased to use the services of the organization. It may be questioned whether this is justified. Some justification for continuing to mail the house organ to inactive

Table 15.—Annual Cost of Editing, Printing, and Mailing, and Annual Income Received From Advertising in the House Organs of 33 Associations (Issued Monthly Except Where Noted)

Code number of association	Annual expense of house organs			Annual income from advertising
	Editing	Printing and mailing	Total	
13.....	\$9,328.00	\$29,837.00	\$39,165.00	-----
12 ¹	14,256.57	23,418.50	37,675.07	\$20,393.62
43 ¹	3,250.00	29,548.14	32,798.14	23,538.00
41.....	2,000.00	23,000.00	25,000.00	12,900.00
3.....	4,380.00	8,461.63	12,841.63	-----
2.....	1,200.00	8,500.00	9,700.00	-----
7.....	712.50	8,000.00	8,712.50	2,300.00
30.....	3,500.00	4,800.00	8,300.00	2,000.00
48.....	2,000.00	6,000.00	8,000.00	6,885.21
35.....	3,141.39	2,708.87	5,850.26	1,241.75
18.....	1,800.00	3,030.00	4,830.00	1,496.51
8.....	700.00	4,000.00	4,700.00	-----
44 ¹	4,217.72	-----	4,217.72	-----
21.....	2,400.00	1,308.00	3,708.00	-----
6 ²	1,000.00	2,678.69	3,678.69	1,451.32
33.....	⁴ Incidental	3,000.00	3,000.00	-----
31.....	240.00	2,400.00	2,640.00	-----
10.....	⁵ Incidental	2,520.00	2,520.00	-----
24.....	800.00	1,440.00	2,240.00	300.00
32 ⁶	100.00	2,100.00	2,200.00	1,400.00
22.....	1,200.00	960.00	2,160.00	-----
19.....	⁷ Incidental	2,019.00	2,019.00	-----
5.....	1,680.00	250.00	1,930.00	3,600.00
11.....	⁸ Incidental	1,440.00	1,440.00	480.00
37.....	⁹ Incidental	660.00	660.00	-----
14.....	⁹ Incidental	394.35	394.35	-----
16.....	⁷ Incidental	-----	-----	-----
27.....	⁸ Incidental	-----	-----	-----
42 ¹⁰	⁶ Incidental	-----	-----	300.00
1 ¹¹	Incidental	-----	-----	-----
4 ¹²	Incidental	-----	-----	-----
25 ¹³	Incidental	-----	-----	-----
47 ¹⁴	Incidental	-----	-----	-----

¹ Issued weekly.

² Issued yearly.

³ Issued bimonthly.

⁴ Edited by the president of the association.

⁵ Edited by the manager.

⁶ Issued biweekly.

⁷ Edited by members of the staff.

⁸ Issued twice a year.

"members" may be on the theory that the house organ is a means of advertising the association and building good will. It appears, however, that when an individual fails to use the services of an organization within a year an effort should be made to ascertain the reasons, and whether he is likely to return to using these services.

Utilization of Space

The size of the house organ issued by the associations studied varied greatly, ranging from 4 to 36 pages per issue. The customary number of pages carried by 33 house organs is shown in table 16. Very few of the house organs contained more than 16 pages per issue. Some, however, have developed a magazine which runs into considerable volume and carries a great deal of advertising as well as numerous feature articles.

Table 16.—Frequency of Issue and Customary Number of Pages in the House Organs of 33 Associations

Frequency of issue	Number of associations	Number of pages per issue	Frequency of issue	Number of associations	Number of pages per issue
Weekly.....	2	16	Monthly.....	1	26
Biweekly.....	1	12	Monthly.....	1	28
Monthly.....	6	4	Monthly.....	1	36
Monthly.....	2	6	Bimonthly.....	2	8
Monthly.....	4	8	Bimonthly.....	1	16
Monthly.....	1	12	Twice yearly.....	1	6
Monthly.....	5	16	Yearly.....	1	4
Monthly.....	1	18	Yearly.....	2	16
Monthly.....	1	24			

One of the most noticeable differences in house organs of cooperative associations was the proportion of space devoted strictly to association affairs and those matters that have an influence on the associations' policies. Some house organs attempted to confine their material almost entirely to this type of subject matter. Other house organs devoted a major portion of space to general agricultural news, special departments, and advertising. A few entered the field of the agricultural press and thus were to some extent competitive with the farm papers serving the same area as the association. Some house organs were edited largely by means of the clipping shears and the paste pot, and thus carried a large portion of material that appealed to the editor's interest or fancy. Such material might be interesting

to the members of the association, but it is doubtful if a house organ of this nature can be regarded by the member as a communication addressed to him from the office of his cooperative. Moreover, many of the members may have read elsewhere much of the material that was clipped.

It is probably easier to issue at frequent intervals a house organ devoted strictly to association affairs when associations handle products that result in frequent economic contacts with the membership than it is when associations handle products that bring about an economic contact between the association and the members only once or twice a year. For example, fluid-milk marketing associations, creameries, poultry and egg associations, or associations handling farm supplies may have business transactions with their members once a month or more often. Some other associations may have a business transaction with their members only once a year. Milk-marketing associations may find their marketing problems changing from one month to the next because of changes in supply or demand conditions. Associations handling an annual crop, like grain or cotton, may receive their entire volume in a period of 2 or 3 months, at the end of which time supply conditions are known and demand conditions forecast with reasonable accuracy.

Some associations which had frequent economic contacts with their members issued only a limited number of house organs—sometimes only one a year—but issued mimeographed news letters whenever they had something of importance to communicate to their members. It is believed that if such mimeographed material is issued only when the association has some worth-while announcement to make it may be more carefully read than when it is issued as a matter of habit.

The house organs of 31 associations were examined in detail, and the type of material contained in the publication was classified under 10 headings. A table was prepared by taking four recent issues, including the annual meeting number, and averaging the percentage of space devoted to each of the 10 classifications. In classifying the material considerable liberality was given to the definition of "association affairs." Perhaps a strict interpretation of some articles classified as association affairs might make them ineligible for such classification by individuals not allowing such liberality. In table 17 is shown the percentage of space devoted by these publications to the subjects classified under the 10 headings.

A study of this table shows that there is great difference among associations as to the percentage of space devoted to association affairs. A few associations have devoted almost as much or more space to a discussion of national policies affecting the commodity handled by the association, while other associations have devoted almost

Table 17.—Classification of Subject Matter Contained in 31 Publications of Cooperative Associations

DAIRY ASSOCIATIONS

Average percentage of column space devoted to specified topics											
Association affairs	National policies affecting commodity handled	Cooperative marketing in general but not association affairs	The industry in general	Cultural and production practices	News or communications from members, branches, or personnel	Women's page	Children's page	Advertisements	Miscellaneous	Average number of columns in issue	
63.0	4.3	2.5	21.0	6.8	0	0	0	0	2.4	20	
62.5	5.0	0	15.0	7.5	.8	0	0	.8	2.4	15	
61.6	4.6	3.7	3.2	1.8	22.3	0	0	0	2.9	27	
62.1	7.0	0	11.7	0	11.7	0	0	14.8	2.7	64	
48.1	6.5	4.0	6.5	4.2	17.5	1.5	0	1.7	10.0	89	
45.4	7.2	2.3	10.2	10.8	4.9	3.6	0	6.9	3.7	26	
38.0	3.7	12.5	15.0	3.9	1.4	6.2	0	14.1	5.2	54	
35.9	2.6	.3	17.0	4.2	3.5	5.3	0	18.3	12.4	29	
33.5	9.8	7.6	7.9	5.1	3.2	1.9	3.7	6.3	19.0	28	
30.5	3.5	2.0	23.0	3.1	13.7	4.7	0	6.2	13.3	37	
15.7	3.5	1.9	16.9	5.8	3.6	10.7	9.8	20.9	11.2	69	
Average.....	44.2	5.2	3.3	13.4	4.8	7.5	3.1	1.4	3.2	6.7	43

FRUIT-MARKETING ASSOCIATIONS

62.3	1.0	0	14.2	10.8	2.9	3.4	0	0	3.4	26	
37.5	14.6	1.0	33.3	3.3	4.2	0	0	0	1.1	16	
32.5	2.3	0	12.8	19.7	3.1	0	0	23.9	.2	45	
30.3	3.6	5.8	23.6	3.9	1.2	1.5	0	25.2	4.9	41	
25.0	9.6	1.2	10.8	8.4	1.4	0	0	35.4	3.2	33	
20.5	3.1	3.3	14.1	17.7	9.9	1.0	0	9.4	15.7	32	
Average.....	34.7	5.3	2.7	13.1	11.5	4.6	1.0	0	12.7	3.9	40

EGG AND POULTRY ASSOCIATIONS

46.7	1.6	0	19.7	17.3	3.1	0	0	0	6.6	4	
29.7	1.1	2.5	10.3	7.2	1.4	0	0	23.9	13.9	45	
28.6	.8	2.1	7.5	3.9	12.3	2.7	0	29.7	12.4	66	
26.0	5.3	6.7	6.3	21.3	2.4	0	0	21.6	9.9	115	
22.3	4.8	13.1	15.5	9.2	2.1	0	0	21.1	11.9	42	
Average.....	30.7	2.7	4.9	12.0	11.8	3.3	.5	0	21.3	10.9	39

Table 17.—Classification of Subject Matter Contained in 31 Publications of Cooperative Associations—Continued

LIVESTOCK-MARKETING ASSOCIATIONS											
Average percentage of column space devoted to specified topics											
Association affairs	National policies affecting commodity handled	Cooperative marketing in general but not association affairs	The industry in general	Cultural and production practices	News or communications from members, branches, or personnel	Women's page	Children's page	Advertisements	Miscellaneous	Average number of columns in issue	
32.1	12.5	1.5	27.2	1.5	16.4	0	0	4.4	4.4	51	
25.4	4.8	.4	14.5	7.0	.9	3.1	2.6	23.2	18.1	28	
24.0	2.1	0	26.0	2.1	1.0	4.2	0	28.1	12.5	12	
4.8	3.8	3.1	20.7	12.5	7.4	4.6	1.5	35.7	5.4	65	
Average.....	21.6	5.7	1.2	22.1	5.8	6.4	3.0	1.0	23.1	10.1	39
GRAIN-MARKETING ASSOCIATIONS											
11.7	18.0	14.1	8.6	0	0	11.7	0	12.5	23.4	21	
10.6	21.9	6.2	29.4	0	6.2	0	0	0	25.7	20	
9.8	3.5	11.4	20.1	0	21.3	7.1	0	2.8	24.0	32	
Average.....	10.7	14.5	10.6	19.4	0	9.2	6.3	0	5.1	24.4	24

no space to national policies. Some of the associations which devoted such a high percentage of space to national policies used a comparatively small proportion of space for news or a discussion of association affairs. Two questions might arise in this connection. Have these associations devoted so much space to national policies because of the association's and the members' interest in national policies, on the theory that the members would not otherwise become acquainted with national policies? Would the association have used the space devoted to national policies for information about association affairs if national policies had not been so prominent in the public mind at the time these issues were published? Some of the material relating to national affairs is obviously obtained by clipping other publications or using news releases from Government agencies.

Four of the associations shown in the table devoted more than 10 percent of the space in their publication to cooperative marketing in general. (This classification includes news of what other cooperatives are doing as well as discussions of the necessity for and virtues

of cooperation.) A great deal of this kind of material was obviously obtained by clippings from other publications. It would probably have been more beneficial to the members if it had been rewritten by the editor and comparisons made with conditions in the home association where comparisons were feasible.

In the classification, "The industry in general", the term "industry" is used in the limited sense of the industry represented by the commodity handled by the association. For example, the dairy industry, the wool industry, or the wheat industry, was intended, instead of the "farming industry." It will be noted that eight publications devote more than 10 percent of their space to cultural and production practices. This space is obviously designed to assist members to improve the quality of their products or to produce at the minimum cost. Some associations have made it a point to keep their members conscious of the fact that price levels of commodities are affected by conditions beyond the control of the individual producer, but that his costs of production are something which he can influence or control to some degree.

From a study of table 17 it will be observed that seven associations devoted 10 percent or more of their space to communications from members, branches, or personnel of the association. Some associations have used this type of material very effectively. One association carefully reports local meetings which are held monthly by its locals. Such news of activities of members of the association may provoke emulation among the members in other communities and thus may be helpful in encouraging member participation in association affairs. Communications from the members and reports of activities of the various branches tend to promote a neighborhood or family feeling among the members of the association. Members of a community like to see their activities reported and strive to have such reports compare well with those from other communities.

Eight of the associations carried no advertising in their house organs, while some others devoted as much as one-third of the space to advertisements. The house organs included in this table confined their advertising mostly to goods used in connection with the production or marketing of the commodity handled by the association. Some accepted no advertising unless it referred directly to the industry represented by the association. Some other house organs examined appeared to accept any kind of advertising so long as it was not fraudulent or misleading. Publications of some associations carried advertisements of mail-order houses, and even accepted advertisements of patent medicines, schools for beauty culture, and men's barbering, and advice on how to promote a happy married life. Such advertisements are, no doubt, accepted

primarily for the revenue feature, but it is doubtful if their acceptance, after all, is in the ultimate interest of the members. The use of such advertising probably decreases the member's appreciation of the publication.

For comparative purposes the house organs were grouped by commodities handled by the associations issuing them. It will be seen that the average percentage of space devoted to association affairs ranges by groups from 10.7 to 44.2 percent. It seems that the frequency of economic contacts has some influence on the percentage of space devoted to association affairs and matters relating to association policies. On the other hand, perhaps frequent economic contacts lessen the actual necessity for communications to the members through the house organ, because frequent economic contacts tend to keep up interest. Perhaps those associations handling commodities that are marketed seasonally should give increased attention to well-prepared material about association affairs and furnish it to the members throughout the year so as to keep up the member's interest in his association.

Quality of Material Relating to Association Affairs

There is a great deal of difference in the quality of material relating to association affairs carried in these publications. Some associations devote considerable space to printing the speeches made by officers of the association at meetings. It is well known that talks or speeches of the same length differ a great deal in the information contained. On reading speeches printed in full one sometimes gains the impression that the editor is favoring the individual whose speech is printed more than the members. A brief outline containing the pertinent facts contained in the speech would probably be read by a greater number of members.

About half the house organs on which the above tables were based print an annual balance sheet and operating statement in one issue of the house organ. Some publish a balance sheet without the operating statement. A few associations probably attempt to justify failure to publish the balance sheet or operating statement on the grounds that such material might fall into the hands of the association's competitors or opponents and be used against the association. It is doubtful, however, that failure to publish such statements can be justified as a common practice. Certainly, most members believe that they are entitled to such information, and the failure to supply it is likely to undermine confidence. The member is likely to feel that the association is in the hands of a few persons only and that patronizing the association is all that is expected of him. There is perhaps a natural tendency for some members to be indifferent

concerning association affairs and to take very lightly their connection with the organization. Limiting the information supplied to members only encourages this indifference and vitiates the already weak connection between the member and his association.

It may be pointed out in this connection that some of the house organs which devote comparatively little space to association affairs might still be supplying more pertinent information to the members than other associations using more space. Certain editors are able to prepare terse statements that are readable and yet packed full of information, while others may "ramble all over the page" to express the same ideas. Individuals differ a great deal in their ability to write material that stimulates the reader's interest and holds it so that the article will be read completely. For this reason the association should exercise care in choosing an editor or in nominating members of the staff to prepare material for the house organ.

One of the house organs included in this study has a page devoted to a dialog between two individuals, one of whom appears to know very little about the association. This poorly informed individual asks the questions and the other carefully and painstakingly answers them. This seems to be a very effective way of presenting association material in such a form that almost any member can understand it. The management of this association reported that this page was developed to answer in advance inquiries that might come to the association by letter or remain unanswered in the minds of members who, while wanting to know, did not take the trouble to write for the information. This page is one of the clearest expressions of association affairs to be found in any of the house organs studied. Since the house organ and news letters are the only means of communication that can reach every member, a great deal of care should be given to the selection and preparation of material carried in them.

Summary

COOPERATIVE associations are characterized by a lack of uniformity in the methods used to maintain contact between membership and management. A study of the methods used should reveal whether the objective is only to get new members and to hold or increase the volume of business or whether it is to develop local leadership and create within the rank and file of the membership a feeling of ownership in the organization and of responsibility for its success.

The form of the organization and the nature of the services performed have some influence on the relationship existing between the member and his association and also on the methods employed in maintaining membership contact. The federated and the centralized types of organization each appear to have some problems and advantages inherent in the type. Some of these problems are perhaps more properly attributed to policies that have grown up with the organization and which later proved to be assets or liabilities.

The attitude of managers and directors toward the members, together with constructive membership policies, is important in building up satisfactory membership relations. Loyalty on the part of the members and understanding of association affairs will be invaluable to the organization in case of temporary reverses. Self-analysis for managers and directors and the attitudes that may reasonably be expected of them are suggested here by a list of leading questions.

The characteristics of directors are important in determining whether membership relations are to be satisfactory or unsatisfactory. When well informed and cooperative minded, a director may contribute much to the member's understanding of his association. When indifferent, poorly informed, or seeking personal advantage through his position as director, he may provoke or aggravate an unfavorable attitude on the part of the member. This means that much time and effort on the part of the employees is necessary to promote a helpful attitude on the part of the members and obtain from members the cooperation that is necessary for the association's success.

Loyalty, based on understanding, enables the members—who are the owners—to work out the problems facing the association or to

employ individuals who can assist in analyzing conditions responsible for its limited success.

The ideal commonly expressed for cooperative associations is that they should be "farmer owned" and "farmer controlled." In extreme cases this is more of a fiction than a reality, since members are not always conscious of ownership. In some associations most of the capital has been derived from "earned operating income" and is in the hands of the management without allocation to individual members. In such cases probably only a few members participate in voting for directors or in any other activities of the association. In other instances members of the associations make direct contributions to the capital structure and, by districts, select the directors to represent them in association affairs.

There are two stages in the organization of a cooperative association—first, obtaining an adequate membership, and, second, organizing the members for participation in association affairs. Organizers of such associations have been prone to think that the first stage only was necessary. In practically all associations, however, the second stage is continuous or recurrent and its implications cannot be ignored with safety during the life of the association. For this reason special methods have been developed for promoting members' participation in association affairs.

Some associations specify definitely the responsibilities of members while a few consider membership very informal and merely incidental to the use of the organization's services. In a few associations this attitude of the management has resulted in cooperation being more *for* farmers than *by* farmers.

The majority of the associations included in this study attempt to further membership contact and disseminate information by means of speeches or informal talks made by employees of the organization. Frequently the material presented has not been carefully developed and prepared, and is not sufficiently well presented to stimulate the member's interest in attending meetings.

Members of some associations have been "talked to death"; that is, they have heard many speeches and have been supplied with much information; but insufficient provision has been made for the participation of the members and the community in meetings called for the purpose of presenting association affairs.

On the other hand, some associations have developed a technique in holding local and annual meetings so successful that many members take an active part and eagerly look forward to the next meeting.

The fieldmen employed by the associations were invited to express their opinions on information to members. They were found to believe generally that members should be given all the information

they might ask for regarding the association, because complete information tends to build confidence which is the keystone of membership morale.

It is impractical for any association to expect to eliminate merely through the employment of special personnel membership dissatisfaction. Successful associations have attempted to develop local leaders who will assume responsibility for encouraging the rank and file of members to participate in association affairs and for disseminating information concerning the association's policies, problems, and progress.

Some associations have found that members' interest and participation have been stimulated by arousing the interest of the farm family, instead of only that of the contract signer.

Membership administration must be definitely planned to be successful, and supervision of local meetings and their programs is necessary for smooth functioning. Voluntary leadership, directed and supervised, ultimately reduces the expense that must be incurred by an association in developing an alert and well-informed membership.

Many associations attempt to supply information to members through the public press, through mimeographed news letters or house organs. Satisfactory relations with the public press depend upon the accuracy of news releases and the extent and nature of background material supplied to the editors.

The cost of administering the membership service of the associations studied ranged from 8 cents per member to \$20.50 per member. There was as great a variety in the type of work involved in membership administration as there was in the expense incurred. There seems to be no relation between the size of the association and the expense per member for membership administration. Most federations spend relatively little for this purpose, leaving such work and expenditure to the units comprising the federation.

The size of house organs issued by the associations studied ranged from 4 to 36 pages per issue. The percentage of space in the house organs devoted to association affairs ranged from 4.8 percent to 62.5 percent. The space in the house organs devoted to advertisements ranged from 0 to 36.7 percent. There was perhaps equally as wide a range in the quality of material relating to association affairs.

Appendix

THE following exhibits illustrate the manner in which the central office of a large organization can delegate to district offices and local officials the details of planning local meetings:

Exhibit A.—Copy of a letter written by the management of an association to the local or branch manager, transmitting plan sheets for the local annual meeting.

DEAR MR. ———: You will herewith find attached our suggestions as to the form of planning sheet for the annual meetings to be held in January. The questions cover three items—the physical handling of the meeting, the program, and the plan for electing directors. You are at liberty to change the questions submitted if you deem such changes will improve the information you will receive.

These planning sheets are to be filled in by boards of directors of _____ associations at their November meetings. You should supply each association with three copies. All three copies should be filled in, one to be kept by the association and two to come to you, you forwarding one immediately to _____.

In completing these planning sheets have every board place within the program numbers a period for an explanation of the corporate set-up of the district _____, the method for its control, and the important part _____ associations are bound to play in a sound, permanent _____ structure for agriculture. The district office will supply a speaker for this topic. Let them also designate within the program numbers a place for the yearly operating statement of the local association and reserve a very definite portion of the meeting for the nomination and election of directors.

Aside from the above, the entire arrangement of program is left to the local board and to you. Entertainment, refreshments, special speakers can be included if thought necessary. The board is planning this meeting for the users and prospective users of the association's services. The program will have to be good enough to attract the folks they have invited and send them back home, ready to speak a good word, when the occasion arises.

Very truly yours,

In charge of _____

Exhibit B.—Planning sheet for the annual meeting, prepared by the central office and transmitted to the local or branch manager, which, when filled out, will provide the central office with detailed information regarding the time, place, and type of program for the annual meeting.

Final Planning Sheet, Annual Meeting of the Association

What date will your annual meeting be held? _____
(Fill in date)

Time of day _____ Place _____
(Specify hall and community)

How many meeting notifications to members will you need? _____
Upon what date will your suggested copy for the above notifications be in the association's office? _____ What other methods will you use to induce members and others to attend your meetings?

How do you intend to greet the folks and make them feel at home? _____

Program for the Meeting

Who will be chairman? _____ Who will take the minutes of the meeting? _____
Will someone give a synopsis of the organization meeting and subsequent board meetings? _____ Who? _____
(State in the numbered spaces below the program which the meeting will follow.)

- | | |
|----------|-----------|
| 1. _____ | 6. _____ |
| 2. _____ | 7. _____ |
| 3. _____ | 8. _____ |
| 4. _____ | 9. _____ |
| 5. _____ | 10. _____ |

If you are going to serve refreshments, how will they be handled?

Will the meeting place be large enough, with comfortable accommodations?
_____ Quiet? _____ Supplied with comfortable chairs? _____
Properly heated and ventilated? _____ Lighted? _____
What plan do you propose to follow in nominating and electing directors?

List any committees and their duties in connection with this meeting

Will your December financial report be in the hands of the association by _____?

Estimate attendance—members _____ others _____

President _____

(Signed)

Secretary-treasurer _____

(Signed)

Date _____

Exhibit C.—Detailed outline of the annual meeting furnished by the central office to the district office or local association. This outline frequently prevents the overlooking of some details in planning for the annual meeting.

Plan For Associational Annual Meetings

1. PREPARATION.

(a) November meeting of the board.

1. Definitely plan for annual meetings.

a. Resolution setting date.

b. Fill in meeting planning sheet.

c. Arrange some definite method for proper nomination and election of directors.

2. ATTENDANCE.

(a) Invitation to member.

(b) Invitation to prospective member.

(c) Local secretary-treasurer and local board responsible for getting out the crowd.

1. Follow up:

a. Mail.

b. Personal visits.

c. Newspaper stories.

WE WANT THE FOLKS WE INVITE THERE, and the local officers are the ones to do it.

3. PROGRAM.

(a) Completely up to local board, except that we suggest they incorporate the following:

1. Corporate set-up of the association within the district, method of control, and explanation of association's opportunities (30 minutes).

2. Thorough explanation of the local association's financial statement (15 minutes).

3. Synopsis of the organization meeting and subsequent board meetings and a general outline of what your association has accomplished during the past year.

4. To see that a good board of directors is elected by proper parliamentary proceedings. Tellers should be appointed, nominees receiving the highest number of votes declared elected.