

A REVIEW OF
AGRICULTURAL
COOPERATION IN
WALES.

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Reprinted from
"THE WELSH JOURNAL OF AGRICULTURE,"
VOL. VI, 1930.

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The present is an opportune moment for reviewing the agricultural co-operative movement in Wales. The twenty-five years or so of experience behind the movement have many points of interest, both theoretical and practical. And to-day, at a time when co-operation is more than ever on its trial, it would be well to examine the present scope and problems of the movement. An impartial survey might benefit two schools of thought on co-operation in agriculture—that which regards it as a panacea for all farming problems, and that which adopts an attitude of suspicion and scepticism and what may be worse—of apathy.

It must be admitted that within the last three decades co-operation in Welsh agriculture, taken as a whole, has proved its worth. Sufficient time has elapsed to test the validity of the co-operative principle of organisation, and societies collectively have stood up to the test. Judged by the imperfect measuring rod of statistics, the progress of co-operation has been very marked, although its failures have been numerous and significant. The progress of the movement since 1902, prior to which only one society had been registered, is shown in the accompanying table.

It will be seen from the table that societies organised for the joint purchase of goods required in production have always been the backbone of the Welsh movement. These businesses now cover the greater part of the Principality and supply Welsh farmers with at least one third of their total requisites. In building up this position, the leaders of the movement had to combat great difficulties—such as the force of vested interests, together with much passive and some active resistance from farmers. And when farmers did join the movement they had not sufficient faith in it to give it the necessary financial backing. It is estimated that the financing of the average member's trade for a year requires a capital sum of £16; but the average contribution in paid-up share capital per member is only £4. Despite this handicap, societies by careful conservation of profits have built up such a financial position that in sixty-two out of the sixty-four requisite societies each £1 contributed by members was worth £2 14s. 9d. in 1928. Accumulated profits literally saved to the industry are being used to finance the purchase of farm requisites. In this connection the margins on which the average society works

Agricultural co-operation in Wales and Monmouthshire, 1902-1928.

Year.	Requisite Societies.			Products Societies.			Miscellaneous.			All Societies.*					
	No.	Mem- bers.	Share Capital.	No.	Mem- bers.	Share Capital.	Sales.	No.	Mem- bers.	Share Capital.	No.	Mem- bers.	Share Capital.	Sales.†	
			£			£	£			£			£	£	
1902	6	266	950			2,557					6	266	950	2,557	
1903	15	1,768	1,749			17,067					15	1,768	1,749	17,067	
1904	20	2,165	2,556			88,887					20	2,165	2,556	88,887	
1905	22	2,486	2,972			41,258					22	2,486	2,972	41,258	
1906	31	3,148	3,558			68,714			2	82	880	24	2,568	3,852	41,258
1907	31	3,613	3,118			97,080			8	95	390	34	3,243	3,948	68,714
1908	36	4,065	3,616			119,116			1	6	155	32	3,621	3,268	97,080
1909	44	4,898	4,428			151,822			1	6	157	37	4,078	3,778	119,116
1910	46	5,308	5,487	1	18	17	8		1	6	157	45	4,901	4,585	151,822
1911	52	6,104	6,683	2	126	228	698		1	8	157	48	5,884	5,661	178,412
1912	58	7,105	8,126	3	200	282	3,981		2	8	1,468	57	6,288	8,329	228,160
1913	61	8,036	9,778	4	465	1,268	10,391		2	80	3,000	59	7,885	11,408	292,719
1914	69	9,260	11,128	5	459	1,580	11,889		2	77	3,280	69	8,578	14,271	340,958
1915	78	11,816	18,285	5	512	1,409	17,225		2	77	2,880	76	9,796	15,488	419,398
1916	81	13,012	15,396	5	486	1,561	21,145		2	80	3,012	80	11,907	17,656	577,965
1917	83	15,520	21,642	7	805	1,761	24,634		2	80	3,014	88	13,578	19,971	787,682
1918	86	17,917	28,616	10	1,270	4,698	38,548		4	95	4,858	94	16,420	27,761	908,819
1919	94	20,122	45,885	18	2,006	12,940	268,390		9	422	7,288	105	19,609	40,592	994,568
1920	93	21,391	70,426	18	2,729	21,205	381,492		12	510	8,309	114	22,688	37,688	1,482,888
1921	82	22,378	185,942	25	2,917	28,620	216,282		18	592	10,716	121	24,712	102,847	2,184,072
1922	80	22,350	148,598	26	2,917	28,620	216,282		15	904	10,005	128	26,194	169,567	1,861,540
1923	81	22,487	148,748	27	2,971	24,241	212,168		18	925	7,897	120	26,246	175,786	1,489,989
1924	78	22,522	140,915	27	2,078	19,320	217,396		18	854	6,006	121	25,469	174,569	1,476,168
1925	81	22,617	146,816	24	2,088	19,459	164,710		18	959	7,079	118	25,519	167,458	1,584,460
1926	75	23,810	189,240	20	1,758	18,682	111,856		11	925	7,756	109	25,295	172,704	1,491,841
1927	70	22,967	140,858	12	1,511	7,628	26,249		10	670	5,564	96	25,671	152,427	1,242,088
1928	64	22,362	137,404	18	1,455	7,798	22,617		10	587	5,574	98	25,009	154,280	1,294,476
				11	1,025	6,845	24,615		10	684	5,622	85	24,021	149,371	1,374,744

* Excluding Allotment and Smallholding Societies. † Excluding receipts of Miscellaneous Societies.

might be stated. For each £1 worth of goods sold, 18s. 6d. represents the cost of the goods, and of a gross profit of 1s. 6d. per £, only 4d. remains as net profit of the business. No one could deny that the curtailment of distribution margins to these dimensions is an achievement in which requisite societies can justly take pride. Moreover, there can be little doubt but that requisite societies have introduced a high standard of business integrity into the farm supplies trade.

Although there have been failures among requisite societies—and no movement or form of organisation can claim 100 per cent. success—their successes have been in marked contrast to the failures of many produce societies. The causes of most failures have been discussed elsewhere and only one or two things need be said at this juncture.¹ The majority of failures can be ascribed to economic conditions over which the leaders of societies had but little control. The decline of the dairy societies, for example, can be explained in that way. Very few examples of well thought out marketing schemes, operating in favourable circumstances can be found in the history of Welsh co-operation, and in fairness to the movement as a whole it must be remembered that the financial loss suffered by farmers on account of failures of marketing societies represents only a fraction of the benefits derived from the successful trading of purchase and other ventures. The broader issues of co-operative marketing will be discussed at a later stage.

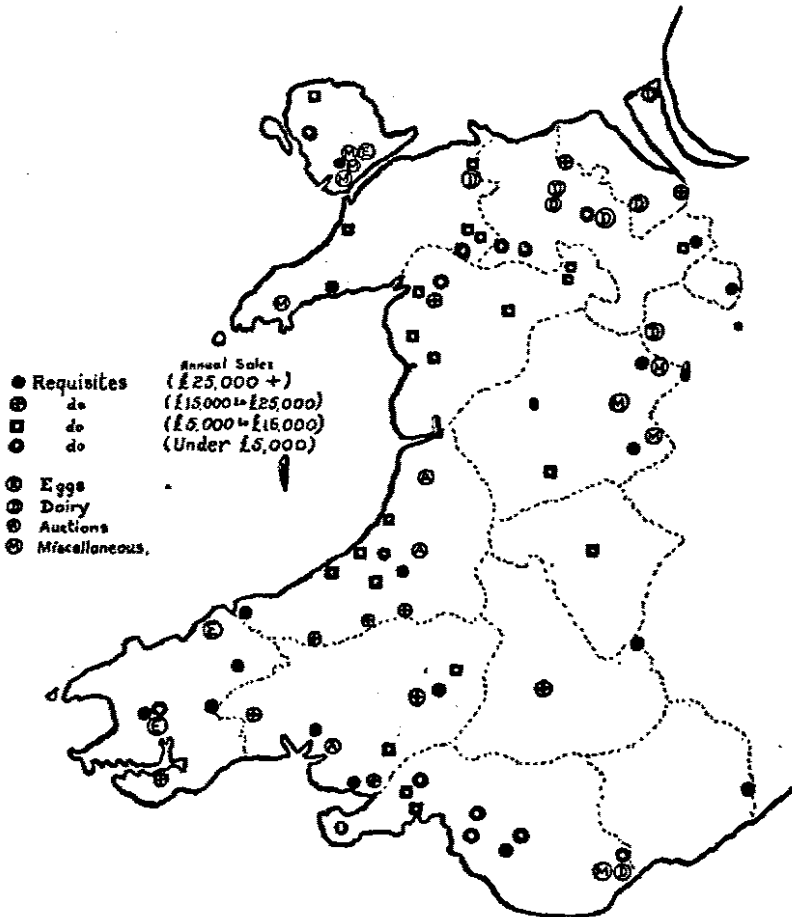
Features of the present position.

A quantitative measure of the present position is offered in the table on page 58 and the accompanying map.

The first broad generalisation indicated in the above table is that most societies in the Principality are small, and that areas differ greatly in this respect. Half the requisite societies are businesses of £10,000 sales or less per annum, while none of the existing produce marketing societies pass this figure. This characteristic of the Welsh movement can be largely attributed to the topographical features of the country and to the type of people who lead the societies. It is significant that the few large requisite businesses which do exist are situated in the more low-lying parts of the Principality. In the more hilly counties the knitting up of large areas under one business was a real difficulty especially before motor transport, necessitating better roads, opened up the countryside. Very few societies have been formed since motors

¹ Agricultural Co-operation in North Wales. Jones and Wynne, Agricultural Economics Department, U.C.W., 1928.

Distribution of Co-operative Societies, 1928.



Six other societies are on the register, but being dormant, they are not included.

have been the chief vehicles of rural transport. It might be argued that the sheer limits set by the topographical face of the country to large scale businesses was actually a factor in fostering the requisite movement in its early stages. In small communities it is not unlikely that farmers would wish to challenge local monopolies; the community feeling would be strong, and a certain pride would be attached to the formation of a co-operative society. Parochialism, caution, and conservatism have hitherto been friends of co-operation in Wales; but different points of view must be adopted if the movement is to flourish in the future.

But what makes the Welsh movement really unique is its lack of symmetry; in other words, the virtual monopoly by the

Business statistics, 1922.

County.	No. of societies.	Member-ship.	Sales of requisites.	Sales of farm produce.	Total.
			£	£	£
Anglesey ...	4	954	58,068		58,068
Brecon ...	1	440	21,006		21,006
Caernarvon ...	5	1,452	77,814	10,000	87,814
Carmarthen ...	10	6,998	454,614	28,428	483,042
Cardigan ...	9	3,748	186,828	8,684	195,512
Denbigh ...	5	1,298	104,508		104,508
Flint ...	4	1,187	70,651	81,328	151,979
Glamorgan ...	9	1,562	68,856	1,660	70,516
Merioneth ...	9	1,926	82,282		82,282
Monmouth ...	1	269	55,428		55,428
Montgomery ...	2	704	50,888		50,888
Pembroke ...	4	1,768	98,860	200	99,060
Radnor ...	1	116	6,121		6,121
Total requisites	64	22,862	1,274,884	75,295	1,350,179
Dairy societies	8	279		16,978	16,978
Egg societies	8	746		7,687	7,687
Auction mart	3	361			128*
Miscellaneous	7	278			2,622*
Grand total ...	85	24,021	1,274,884	99,910	1,374,794

* Represents income only. The value of stock sold in the auction marts cannot be stated.

requisite societies of the movement's business. Well may it be asked why the joint sale of produce is such a stunted plant while the collective purchase of requisites shows much vitality. Does the difference imply a limitation to the applicability of the co-operative principle in agriculture? If the facts are carefully examined, such a conclusion hardly seems permissible.

The requisite movement began to develop at a time when farmers in the Principality were becoming increasingly dependent on purchased manures and feeding stuffs. This silent change in farming method gave co-operation its chance: farmers felt the common need for an organisation which would give them the best terms and service in the purchase of their requisites. A few early successes gradually paved the way for the expansion which became general after 1910 and was accelerated by war conditions. The essential point is that the requisite societies fitted in admirably with the scheme of agricultural production, and that farmers were conscious of the position. But though these were the bases of success, other factors have contributed largely to the success of joint purchase societies. Under modern conditions of manufacture farm requisites are standardised goods, the prices and qualities of which are easily comparable and for the sale of which there is an elaborate machinery in operation. Buying such goods

for resale is not an extremely difficult matter, especially now that price reporting is so thorough. And furthermore the market for farm supplies is round and about the society and the salesman of the society is usually in close contact with his customers. In brief, the distribution of farm requisites is a relatively easy and cheap process because of the nature of the goods handled.

While the above mentioned conditions explain the growth of the requisite societies, the absence of such conditions largely account for the checkered career and limited scope of produce marketing societies. Until about 1922, or even later, little dissatisfaction was expressed with the existing marketing machinery and although isolated efforts to break its armoury had previously been made, these efforts did not arise from a widespread desire for better marketing systems. In other words, there was little consciousness of a common need for new institutions.

But perhaps the greatest difficulties arose—as they still do—out of the essential differences between farm and industrial products as commercial commodities. To connect producers and consumers of farm produce, to adapt the supply of the former to the latter's demand in point of quantity and quality are complex processes. The produce must be assembled from scattered farms; must be manufactured, processed or submitted to some grading or standardising process, and must be sold, for the most part, in distant markets. The buyer's task is complicated by wide variation in quantity and quality and the lack of reliable market intelligence.

The main problem in selling farm produce is to set up good trade connections with distant purchasers and to find outlets for produce in glut seasons. The difficulties are rendered more acute by the constant fluctuations in the prices of farm products, involving in turn a great element of risk. Unlike requisites, few farm products can be bought and sold on contract. From a purely co-operative standpoint two further difficulties presented themselves; the need of considerable capital, and secondly, the relentless, if temporary, competition of existing middlemen. This latter has been and still is a strong deterrent to the expansion of joint sale. Any development means the displacement, in part at least, of time-honoured institutions, and the sacrifice of some of those personal relationships which always count for so much in rural Wales. All things considered, therefore, it is not surprising that the co-operative movement in Wales has largely confined itself to the purchase of requisites. In doing so it has acted logically and wisely in that the easier task has been tackled first.

Present-day problems.*The joint purchase of requirements.*

It would be unfortunate if the foregoing remarks create the impression that all is well with the requisite societies, that they have solved all their problems. Such, of course, is not the case, and much needs be done to introduce a higher level of efficiency throughout the movement. There is also ample scope for further expansion. The widely varying degrees of efficiency amongst requisite societies is illustrated by the following facts: some societies own 95 per cent. of the capital used, while some others have to borrow 80 per cent. of it; several allow six months credit, while a minority clear their books in three weeks; in one case, costs of service amounted to 17 per cent. of the sales, in one other to only 2.4 per cent.; and financial results varied between a profit of 10 per cent. and a loss of 8 per cent. on sales of 1928. In fact, there are few societies which could not improve their results by giving more attention to buying, internal organisation, price fixing and salesmanship and taking steps to improve the credit position. Much could be achieved if only each society examined its own accounts and organisation critically and intelligently.

But viewing the future course of development of requisite societies the most general problem is that of increasing the size of the average business. The following table will indicate to what extent this is necessary and desirable.

Business Statistics by Size Groups, 1928.

Size group. Sales per annum.	No. of societies.	Average sales.	Per £1,000 sales.		
			Gross profits.	Service costs and discounts on sales.	Net trading profit or loss.
£5,000 or less	18	£ 8,688	£ 65.8	£ 74.8	£ — 8.5 *
£5—£15,000	21	8,798	76.25	54.9	21.85
£15—£25,000	11	20,946	74.05	68.8	5.75
£25,000 or more	17	58,398	79.7	61.5	18.2
Averages ...	62	22,094	77.8	62.1	15.7

* Loss.

Some of the factors accounting for the size of societies have already been discussed. The problem of the moment is to reduce the economic handicap associated with very small business units. The task confronting the very small society is one of buying goods

at a sufficiently low price to enable them to be distributed at competitive prices after bearing high handling costs per unit. The small business must be very efficiently managed if, when prices, quality of goods and service are considered, it is to compete with the larger. But many of the small societies in Wales are not managed by people who make this possible; in fact the necessity of attracting efficient men by offering adequate remuneration has never been realised. Too many managers of small societies are untrained in the arts of buying. The possibility of raising the bargaining capacity of small societies by means of joint purchase by groups of societies is quite sound theoretically, and some successful efforts are now being made in this direction. But it is feared that for a while the disaster of the A.W.S. has killed the chances of any general resuscitation of this idea.

In the preceding table the trend of costs from one size group to another does not follow its expected course. Size Group III (£15—£25,000) contains two societies that are just emerging from serious difficulties. This and the next groups have a large proportion of societies which deliver goods, and this fact largely explains the higher costs. But there is little doubt but that the larger societies are the better equipped to meet the type of service now demanded. Selling farm requirements to-day is not merely a matter of price and quality of goods. "Salesmanship" is the key-note of modern commerce, and distribution is becoming more and more a question of providing service. In the farm supplies trade, more service implies more delivery to the farm. And more delivery in turn necessitates more canvassing and efforts to maintain close contact between a society and its customers. All these changes point to the need for larger societies, with reserves of capital for development. In fact there is every indication that the smaller societies are being hard pressed. The following comparison is illuminating.

Requisite Societies 1923 and 1928.

	Number.	Average sales.	Sales of all Welsh societies.
1923	81	£15,800	£1,258,777
1928	64	£21,100	£1,850,129

It cannot be denied that the disappearance of seventeen societies since 1923 is a loss to the movement, just in the same

way as a retreat demoralises any army. But the disappearance of these societies when reviewed with other facts is more ominous than discouraging. To-day sixty-four societies are doing more business than eighty-one in 1928: the loss therefore has been in small societies. If to this is added the observation that no new requisite society has been started since 1924 and very few new branches have since been opened by existing societies, the trend of events will be appreciated. The small society is being gradually pushed out, and existing societies are expanding their trade by working their areas more intensively, chiefly with the aid of motor vehicles.

At the moment, half the societies in the Principality are not in a position to operate motor lorries economically. Unless they can be hired—and there are limits to the suitability of this practice—then these societies will be compelled to expand their businesses. In some areas at least, this raises the question of amalgamation. There is at least one area where three societies, each with sales of less than £10,000 per annum, are operating within a circle of ten miles diameter. There are some larger societies which compete with each other, and many instances could be cited in favour of the argument that the trading areas of societies could be redistributed on a rational plan. It is realised that local patriotism and personal considerations enter very largely into this calculation, but co-operators should now begin to consider the progress of the movement as a whole.

This discussion of the present position of requisite societies would not be complete without reference to the credit problem. The agricultural depression has not materially affected the volume of business done by the societies, but it has made profitable trading more difficult. Long credits affect costs, and therefore prices and profits. In 1928 the direct and indirect costs of credit to sixty-two societies were £8 18s. per £1,000 of sales compared with £2 1s. 6d. in 1927. It is open to question whether agriculturists generally, or in fact all those responsible for co-operative businesses, realise the handicaps which long credits impose on a business.² It is certainly true that some managers and committeemen have not appreciated the measure of control given them by the prompt presentation and repetition of accounts, the judicious use of cash discounts and price discrimination. In the following Table societies are grouped according to whether the costs of capital borrowed were greater or less than returns on capital invested and discounts given for prompt payment. This

² Control of Credit. Ashby and Jones, Agricultural Economics Department.

difference is a measure of the cost of credit and indicates the ramifications of delayed settlement of accounts.

Grouping according to net costs of financing trade.
Per £1,000 of sales.

	<i>Net cost of more than £5.</i>	<i>Net cost of less than £5.</i>	<i>Net surplus.</i>
	£ s. d.	£ s. d.	£ s. d.
Net cost of financing trade	9 2 6	2 5 10	2 16 8*
Management costs	78 5 10	48 16 8	48 8 9
Final profit or loss	— 4 12 1	17 1 5	27 8 4
Debtors ...	229 0 0	156 0 0	189 0 0*
Per cent. of capital borrowed	72	88 †	22

* Investment income and discounts on purchases exceeding financial charges.

It is seen that from all standpoints the burden of long credits affects the trading position of societies. In the case of societies which have to borrow heavily, the handicap is very serious, since interest on borrowed capital must be paid whether or not the concern is working profitably. In stronger societies, freezing up reserves in trade credit is robbing the business of much needed funds for development, such as the improvement of premises and the purchase of motor vehicles. Where societies are just on the balance or faced with deficits, let it be hoped that a speedy return to agricultural prosperity will soon relieve their positions.

The co-operative marketing of farm products.

The statistical Table and map (pp. 57-58) show the present distribution and scope of societies organising the sale of farm products in the Principality. Three of the eight dairy societies are selling liquid milk. Two of these are engaged in the retail trade, while the third is doing a semi-retail business. The other five are the remnants of a group of about twenty-six societies which are mainly engaged in the conversion into cheese of surplus summer milk. The egg societies engage in the usual country business, while the three auction mart societies make local arrangements for the sale of livestock.

The average annual sales per society in the dairy and egg groups are only £2,288, and this fact largely accounts for their problems. They find it extremely difficult to trade profitably with the high unit costs incurred. Some are handicapped by lack of capital. In others, part time employment only can be offered, with the result that the management is not of a high standard.

The egg societies in particular suffer from lack of contact with good outlets for produce. Almost all the societies are handicapped by spasmodic supplies from members. None of these societies are attempting to do anything very ambitious, but it must be admitted that, as a whole, they do not perform their purely local functions with conspicuous success. With the majority of them a radical change of outlook on the part of members and of business methods on the part of the management are urgently called for.

In addition to the trade handled by produce societies as such, the activities of requisite societies in the sale of farm products must be mentioned. Unfortunately accurate statistics of this trade cannot be given, since some societies handle members' produce without showing it separately in their accounts. One society acts as agent to a wholesaler for the sale of members' milk, this trade being valued at £31,000 per annum. Several are known to sell potatoes and cereals on behalf of members, although only two societies record such trade, valued at £1,860. Six societies record sales of members' butter and poultry products totalling £48,000; one society accounted for £28,000 of this amount.

The requisite societies have not infrequently been criticised for their apathy towards the purchase of goods from members or the sale of produce on their behalf. Previous suggestions in this article almost invite the conclusion that for the past their conservatism in this respect may have been justified. The leaders of requisite societies probably felt that building up and expanding their businesses was a full-time task. They probably realised that the technicalities of handling farm products were essentially different from those involved in the distribution of farm supplies. And even if the establishment of a produce department were decided upon, the area covered by most requisite societies was so small that little trade in individual products could be expected. In other words, a radius of five miles may form an economic unit for a requisite society, but there are many districts where, under a diversified farming system, the volume of trade in individual farm products from such an area would be too small for economic working. It must be repeated, moreover, that the farmers' urge for market reform is a comparatively new one. When in earlier years some farmers and others were anxious to organise co-operative marketing of produce, great numbers of producers were apathetic.

Before considering further the relations of produce and requisite societies to the general question of marketing, it might be well to realise that from an organisation point of view, the products of Welsh farms fall into two broad categories. In the

first group fall products such as butter, eggs and poultry and cereals, the marketing of which can be undertaken by local units. In connection with these products, many useful services can be performed by relatively small groups of producers, although, of course, their action must harmonise with regional and national conditions. To the second group belong those commodities for which the marketing unit must cover much wider areas, if efficiency is to be secured. In this category fall milk, store and fat stock and wool.

This important distinction might be illustrated with reference to milk, a commodity which may fall into both categories. Purely local action has often proved effective where producer-retailers have pooled their rounds and entrusted the distribution of their milk to co-operative societies, or in cases where surplus summer milk is converted. But the problems of liquid milk producers in the South-West Wales milk area, for example, could never be solved by such local action. If permanent success is to be obtained, co-operation in that area must take the form of regional action, where the supplies and returns of two or three counties are pooled.³ Something similar is true of livestock selling. The three existing auction marts are doing something to ease the problem in their own small areas, but the isolated action of one village would do little to facilitate the flow of store stock to feeding areas or of fat stock to consuming centres. Had we in this country large centralised stockyards, such as in Chicago, local action in the form of livestock shipping associations would probably develop because they would serve a useful purpose.

These remarks are not intended as a criticism of local action : they are intended as guidance to schemes of joint action in the future. They show that as regards some products and services there is ample scope for the development of produce societies similar in type to those found in Wales at the moment. In fact, new developments in the marketing sphere make the expansion of such societies all the more likely and desirable. Better marketing is the topic of the day : there is growing among farmers a conscious desire for more efficient machinery. Farmers are realising that they must act collectively if they are not to be impoverished by highly organised groups in the distributive trade. The work of organisation is being facilitated by legislation, as evidenced in the National Mark Schemes associated with the Agricultural Produce (Grading and Marking) Act. Two societies have already taken advantage of the scheme as regards eggs.

³ Report of Three Counties Marketing Committee.

The Clynderwen Society is the model egg packing station for South Wales.

It is not unreasonable to expect the requisite societies to develop trade in the "local organisation" commodities mentioned above. In favour of this departure it can be argued that the requisite societies already possess a trading machinery which could be adopted to handling some kinds of farm produce. They have behind them a store of invaluable experience in dealing with farmers. Even from the point of view of the farm supplies trade, the wider buying of butter, eggs and poultry would be beneficial. Now that delivery of requisites to farms is becoming general, the economy of having lorries returning laden with products would seem obvious. It is not unlikely that the grocery branch of the trade could be expanded since in parts of Wales at least, butter and eggs are often bartered for household requisites. With a general expansion of farm produce trade by these societies some form of federation for certain purposes would prove helpful.

As regards marketing the "large scale" products which are such important items in the income of Welsh farmers, the failures of the past need not deter action for the future. Rather let the lessons of the past be learnt so that history will not repeat itself. If wool and livestock are going to be effectively marketed co-operatively, the new organisations must be entirely different from those previously set up in Wales. But the designers of such organisations will have much to assist them. They can draw on an ever increasing store of experience won by large scale and pooling organisations handling farm products all over the world. For example, such problems as how to finance big businesses from farmers' capital and how to maintain adequate supplies of goods have been solved in other countries. All over the world farmers are showing that large scale co-operatives can attain a high standard of business efficiency.

Conclusions.

The sceptical might be disposed to argue that far too ambitious a programme has been drawn up for the co-operative movement in Wales. If this view is based on a concept of the limitations of the co-operative principle, then it is a false one. Co-operation in Wales is and has been characterised by great versatility. The seven societies classes as "miscellaneous" are an interesting group. Three own and hire out threshing machines; two supply their villages with electric light. Of the remainder, one does useful work in sub-letting land to selected tenants, while the other sells thatching and horticultural mats on behalf of

craftsmen in Anglesey. This list certainly does not indicate limits to the points at which co-operation can serve agriculture and rural life. If the movement will supplement its elasticity with vitality and courage, then it can grapple with many of the farmer's business problems. And after all, is co-operation possible without co-operators? Co-operation may be the child of necessity, but it is not merely a business machine. Its results cannot be dissociated from the human qualities of those who control its destinies.