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Farmers' Purchasing Associations in Wisconsin

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FARM CREDIT ADMINISTRATION

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Summary

FARMERS' cooperative purchasing associations have operated for many years in Wisconsin, but the movement gained little headway until after 1900. In fact, nearly all of the 271 local purchasing associations that were active in the summer of 1935 had been organized since 1910. These cooperatives handled in 1934 approximately 15 percent of the farm supplies purchased in the State, supplies with a retail value of some \$14,000,000. The associations are located in all parts of the State, but are most numerous in the main agricultural sections.

Development of cooperative purchasing among Wisconsin farmers has been encouraged and assisted by general farm organizations, State and Federal agricultural agencies, and wholesale cooperative purchasing associations. Several large-scale purchasing associations perform wholesale service for farmers' local purchasing groups.

The local purchasing associations in Wisconsin may be classified according to type in four main groups: Petroleum, warehouse, general-store, and combination associations. In addition, a number of cooperative marketing associations engage in the cooperative purchase of farm supplies.

Of these local purchasing associations, 15 percent had in 1934 a total business per association of \$100,000 or more; 37 percent had \$40,000 to \$100,000; and 48 percent had less than \$40,000.

Forty-seven percent of the total value of farm supplies distributed by Wisconsin cooperatives in 1934 consisted of such general production essentials as feed, seed, binder twine, and fertilizer. Petroleum products represented 33 percent; hardware, machinery, and building materials 6 percent; and household supplies 10 percent of the total. Approximately 87 percent of the total business was with farmers.

Analysis of the operating statements for the associations of each type indicated that there was a tendency for unit expenses to decrease with increased volume of business. It appeared, however, that other factors—managerial efficiency, for example—had a greater influence on operating expense than had volume.

Financial position, on the whole, was satisfactory. Thirty-eight percent of the associations had \$5 or more in current assets for each dollar of current liabilities; 8 percent, however, had less than \$1.

Comparison of the balance sheets and operating statements for groups of selected "good" and "poor" associations of each type showed that generally the good associations had (1) larger volumes of business,

(2) lower operating margins, (3) lower operating expenses per dollar of sales, and (4) larger net incomes than either the poor associations or the average associations of each type. It is believed that these average financial statements can be used to advantage by the associations as standards for measuring their own efficiency.

It was found that many of the associations needed to give more attention to credit extension and collection policies. Many could profitably improve their methods of service and their accounting and auditing practices. It was apparent that some of the local associations had a serious membership problem in that many patrons were not active members.

Some differences in operating efficiency according to type are suggested by the average net incomes per dollar of sales, which were as follows: Petroleum associations, 7.79 cents; warehouse associations, 1.39 cents; general stores, 1.01 cents; and combination associations, 3.51 cents. The higher net income of the petroleum associations was largely because of the higher gross margins obtaining on petroleum products.

More than half of the local purchasing associations in Wisconsin are being served by large-scale associations which provide an economical source of good-quality supplies at wholesale. Moreover, these wholesale associations have assisted the local associations in their efforts to raise standards of service and operating efficiency.

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Other Publications Available

In addition to this bulletin, the following publications on farmers' cooperative organizations are published by the Farm Credit Administration:

Cooperative Purchasing of Farm Supplies

Bulletin No. 1, *Joseph G. Knapp and John H. Lister*

Accounting Principles for Cooperative Cotton Gin Associations

Bulletin No. 2, *Otis T. Weaver*

Cooperative Marketing of Agricultural Products

Bulletin No. 3, *Ward W. Fetrow*

Cooperation in Agriculture, a Selected and Annotated Bibliography, Bulletin No. 4, *Chastina Gardner*

Organization and Operation of the Illinois Livestock Marketing Association, Bulletin No. 5, *H. H. Hulbert*

Statistics of Farmers' Cooperative Business Organizations, 1920-1935, Bulletin No. 6, *R. H. Elsworth*

Cooperative Marketing of Range Livestock

Bulletin No. 7, *L. B. Mann*

Mutual Irrigation Companies in California and Utah

Bulletin No. 8, *Wells A. Hutchins*

Membership Relations of Cooperative Associations

Bulletin No. 9, *J. W. Jones*

Marketing Policies of the California Walnut Growers Association

Bulletin No. 10, *Harry C. Haysley and Neil H. Borden*

Organization and Operating Problems of Nebraska Cooperative Creameries, Bulletin No. 11, *T. G. Stitts and Gordon C. Laughlin*

Analysis of the Business Operations of Cooperative Cotton Gins in Oklahoma, 1933-34, Bulletin No. 12, *Otis T. Weaver and Ormer W. Herrmann*

Transportation of Milk in the Philadelphia Milkshed

Bulletin No. 13, *John J. Scanlan*

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Bulletin No. 16, *William C. Welden and T. G. Stitts*

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Circular No. C-101, *O. W. Herrmann and Chastina Gardner*

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Economic Analysis of Bargaining Problems of Milk Cooperatives

Circular C-104, *T. G. Stitts and Wm. C. Welden*

Cooperative Fluid-Milk Associations in Iowa

Circular C-105, *Paul E. Quantus and T. G. Stitts*

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