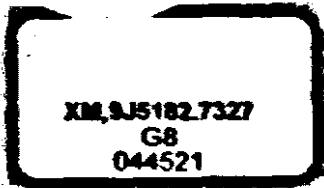


Cooperative
Purchasing of
FARM SUPPLIES
IN MISSISSIPPI

by JOHN H. LISTER

and GERALD M. FRANCIS



CREDIT ADMINISTRATION

Cooperative Division

WASHINGTON, D. C.

Farm Credit Administration

W. I. MYERS, *Governor*

Cooperative Division

S. D. SANDERS, *Commissioner*

Research, Service, and Educational Staff of the Cooperative Division

H. M. BAIN, *Assistant Commissioner in Charge*

W. W. FETROW, *Chief Research Economist*

Cotton

Omer W. Herrmann

Otis T. Weaver

John S. Burgess, Jr.

Dairy

T. G. Stitts

D. D. Brubaker

W. C. Welden

Paul E. Quintus

Fruits and Vegetables

A. W. McKay

K. B. Gardner

M. C. Gay

H. C. Hensley

N. Fogelberg

H. W. Mumford, Jr.

J. H. Heckman

Ford A. Quitslund

Grain

Harold Hedges

Harry E. Ratcliffe

E. B. Ballow

History and Statistics

R. H. Elsworth

French M. Hyre

Insurance

V. N. Valgren

F. C. Murphey

Livestock and Wool

C. G. Randell

L. B. Mann

H. H. Hulbert

James M. Coon

Poultry

John J. Scanlan

Roy W. Lennartson

Purchasing

Joseph G. Knapp

John H. Lister

Gerald M. Francis

Traffic

Charles B. Bowling

The Research, Service, and Educational Staff conducts research studies and service activities relating to problems of management, organization, policies, merchandising, sales, costs, competition, and membership arising in connection with the cooperative marketing of agricultural products and the cooperative purchase of farm supplies and services; publishes the results of such studies; confers and advises with officials of farmers' cooperative associations; and cooperates with educational agencies, cooperative associations, and others in the dissemination of information relating to cooperative principles and practices.

Copies of this publication may be obtained upon request, while a supply is available, from the

Director of Information and Extension

Farm Credit Administration

Washington, D. C.

Cooperative Purchasing of
Farm Supplies
in Mississippi

By

JOHN H. LISTER

Agricultural Economist

and

GERALD M. FRANCIS

Associate Agricultural Economist



FARM CREDIT ADMINISTRATION

Cooperative Division

WASHINGTON, D. C.

Contents

	Page
Summary.....	III
Purpose and method of study.....	2
Agricultural conditions in Mississippi.....	2
Economic condition of farmers.....	2
Type of farming areas and production.....	3
Farm products marketed.....	4
Farmers' expenditures for feed and fertilizer.....	5
Historical development of cooperative purchasing in Mississippi.....	7
Mississippi Federated Cooperatives (A. A. L.).....	9
Organization.....	9
Membership.....	9
Management.....	11
Facilities.....	12
Operating methods and problems.....	13
Volume of sales.....	18
Gross income.....	20
Operating expense.....	23
Net income.....	24
Financial condition.....	28
Member county associations.....	30
Organization structure.....	30
Sources of capital.....	31
Member relationships.....	32
Management.....	32
Facilities.....	34
Operating methods and problems.....	36
Volume of business.....	39
Operating expense.....	41
Net operating income or loss.....	42
Other income and expense.....	46
Distribution of net income.....	47
Financial condition.....	47
Conclusions and recommendations.....	50
Appendix.—Basic statistical data.....	56

Summary

MISSISSIPPI is principally an agricultural State. The most important crop produced is cotton, followed by corn and hay. The average cash income from farm production in 1935 was \$450 per farm, which was considerably lower than the United States average of \$1,057. Cotton accounted for 55 percent of this income. The single-crop system and low cash farm income, together with the fact that about 70 percent of the farm operators in the State are tenants, have brought about a system of production credit which places the buying and selling policies of a large proportion of the farmers in the hands of a relatively small group consisting of landowners, credit merchants, and others who supply production and household credit. These conditions have retarded the development of the cooperative movement in Mississippi.

The present State-wide cooperative purchasing association, Mississippi Federated Cooperatives (A. A. L.), grew out of the wholesale purchasing service of the Mississippi Farm Bureau Federation, which was started about 1922. This association was reorganized in 1930, and its name changed to its present form in 1935.

Mississippi Federated Cooperatives (A. A. L.) purchases supplies—chiefly fertilizer, feed, and seed—and markets miscellaneous farm products for 36 member county associations. In addition to its purchasing and marketing activities, the State association serves as agent for the State Farm Mutual Automobile Insurance Company of Bloomington, Ill. It also owns stock in the Gulf States Fertilizer Cooperative (A. A. L.), a cooperative fertilizer manufacturing association at Gulfport, Miss.

The total wholesale supply business of the State association for the year ending June 30, 1936, amounted to \$569,664, and retail sales through its branch warehouses totaled \$157,842. The value of farm products marketed for the county associations was \$12,586. About 15 percent of the wholesale supply business of the association was handled on a commission basis, and 85 percent on the basis of outright purchase for resale to the county associations. The gross operating income of the State association for the year ending June 30, 1936, was \$29,813 (see table 16, p. 58). This amount was extremely low because of unusually severe competition and low prices for fertilizer. The net income of the State association that year was \$2,515.

The State association has obtained a large part of its operating capital from earnings. The seasonal nature of its business and the

necessity for financing the county associations makes the borrowing of additional capital necessary during the peak seasons. These funds are obtained from the New Orleans Bank for Cooperatives and are repaid at intervals as proceeds from the sale of supplies are received from the county associations.

Mississippi Federated Cooperatives (A. A. L.) had on June 30, 1936, assets amounting to \$64,916 and liabilities of \$21,751. The ratio of current assets to current liabilities was 2.6 to 1, indicating a satisfactory liquid condition. The equity of the member associations in the State association, as shown by net worth, was \$43,165, or about 67 percent of the total assets.

Thirty-six active county purchasing associations had a total membership of approximately 13,000 in 1936. All but one of them are of the nonstock type, in which each member has one vote. Members are not required to assist in financing their associations nor to pay membership dues. All agricultural producers are eligible to membership. The associations are governed by boards of directors elected annually by members, and are managed by hired managers or, if the operations are small, the county agricultural agent may cooperate with the directors in serving members.

The aggregate total sales of 24 county associations from which adequate operating data could be obtained for the year ending June 30, 1936, amounted to \$387,840. Of this amount \$177,988 represented fertilizer sales; \$94,093, seed; \$49,679, feed; \$7,238, miscellaneous supplies; and \$58,842, farm products marketed. The average gross trading margin on supply-purchasing operations was 5.9 percent of sales. Farm products were handled on a gross margin of 5.6 percent of sales.

In appraising the operating efficiency and the financial standing of Mississippi Federated Cooperatives (A. A. L.) and its member associations, it must be considered that conditions are not so favorable to the advancement of cooperative activity in Mississippi as in many other areas. These associations have been built up largely without investment on the part of members, yet they have rendered a service at least equal to that of competition, and their presence in the State and the counties has been influential in keeping farm-supply prices nearer to cost-plus-handling-charge levels. The State association, being stronger financially and operating with greater efficiency, is in position to guide the county associations to more efficient and beneficial service and to greater financial stability.

Appendix

Basic Statistical Data

TABLE 15.—AVERAGE AMOUNT OF EXPENDITURES FOR FEED AND FERTILIZER PER FARM AND NUMBER OF FARMS REPORTING, BY COUNTIES, IN MISSISSIPPI, 1929¹

County	Feed		Fertilizer	
	Farms reporting	Average per farm	Farms reporting	Average per farm
DELTA AREA				
Bolivar.....	4,417	273	3,072	64
Coahoma.....	1,452	397	4,278	69
Holmes.....	1,864	126	3,049	73
Humphreys.....	3,198	114	926	67
Issaquena.....	502	151	127	98
Leflore.....	4,017	155	5,564	66
Panola.....	1,072	68	310	76
Quitman.....	1,540	283	985	61
Sharkey.....	814	212	1,274	81
Sunflower.....	4,111	220	1,588	125
Tallahatchie.....	1,469	219	2,426	62
Tunica.....	1,680	323	1,161	62
Warren.....	812	137	101	28
Washington.....	3,213	152	1,220	70
Yazoo.....	1,855	156	1,753	84
TRUCK FARMING AREA				
Copiah.....	814	139	3,788	163
Covington.....	888	41	2,347	114
Jasper.....	1,142	53	2,658	97
Jefferson Davis.....	533	45	2,709	100
Jones.....	1,490	95	3,127	103
Lamar.....	286	101	1,023	112
Marion.....	442	145	2,309	107
Neshoba.....	1,666	53	4,339	86
Newton.....	1,557	60	3,482	88
Simpson.....	1,055	65	2,805	101
Smith.....	871	39	2,901	117
Walthall.....	263	69	2,494	101
ALL OTHER COUNTIES				
Adams.....	654	114	237	85
Aleorn.....	1,036	76	2,717	56
Amite.....	1,012	75	3,001	65
Attala.....	1,530	60	2,936	47
Benton.....	552	48	1,506	54
Calhoun.....	740	49	1,587	42
Carroll.....	547	58	783	51
Chickasaw.....	1,027	84	459	45
Choctaw.....	846	54	1,711	46
Claiborne.....	704	56	484	60
Clarke.....	802	54	1,626	93

¹ U. S. Department of Commerce, FIFTEENTH CENSUS OF THE UNITED STATES: 1930; AGRICULTURE, V. 2, part 2, pp. 1124-1131.

TABLE 15.—AVERAGE AMOUNT OF EXPENDITURES FOR FEED AND FERTILIZER PER FARM AND NUMBER OF FARMS REPORTING, BY COUNTIES, IN MISSISSIPPI, 1929—Continued

County	Feed		Fertilizer	
	Farms reporting	Average per farm	Farms reporting	Average per farm
ALL OTHER COUNTIES—continued	<i>Number</i>	<i>Dollars</i>	<i>Number</i>	<i>Dollars</i>
Clay.....	1, 058	98	488	47
De Soto.....	1, 970	174	367	77
Forrest.....	402	228	765	90
Franklin.....	434	49	858	48
George.....	289	50	813	136
Greene.....	287	48	738	81
Grenada.....	261	81	391	49
Hancock.....	231	169	367	65
Harrison.....	557	260	603	89
Hinds.....	1, 446	161	2, 015	75
Itawamba.....	1, 317	44	2, 699	55
Jackson.....	320	233	437	92
Jefferson.....	986	67	1, 106	51
Kemper.....	1, 097	48	2, 866	83
Lafayette.....	1, 121	62	2, 019	46
Lauderdale.....	1, 648	138	2, 576	90
Lawrence.....	505	62	1, 898	83
Leake.....	843	39	3, 544	62
Lee.....	1, 196	79	2, 723	67
Lincoln.....	1, 394	101	2, 684	69
Lowndes.....	1, 022	149	1, 058	68
Madison.....	1, 602	66	2, 623	64
Marshall.....	1, 343	74	1, 509	48
Monroe.....	2, 051	82	2, 783	73
Montgomery.....	547	59	1, 440	43
Noxubee.....	1, 596	102	1, 126	85
Oktibbeha.....	797	179	518	46
Pearl River.....	616	123	989	90
Perry.....	351	61	845	89
Pike.....	684	144	2, 560	77
Pontotoc.....	1, 899	47	3, 296	52
Prentiss.....	861	47	3, 126	70
Rankin.....	1, 078	95	2, 484	63
Scott.....	969	39	2, 429	73
Stone.....	212	78	458	63
Tate.....	755	91	196	58
Tippah.....	1, 361	51	3, 219	66
Tishomingo.....	1, 175	56	2, 157	63
Union.....	1, 215	54	3, 128	61
Wayne.....	640	47	1, 541	95
Webster.....	665	57	1, 277	49
Wilkinson.....	279	101	396	36
Winston.....	574	70	2, 777	65
Yalobusha.....	687	59	554	46
Total or average.....	92, 814	124	151, 309	76

TABLE 16.—ANALYSIS OF MONTHLY OPERATIONS OF MISSISSIPPI FEDERATED COOPERATIVES (A. A. L.), FOR THE YEAR ENDING JUNE 30, 1936

Item	1935						1936						Total	
	July	August	September	October	November	December	January	February	March	April	May	June		
Wholesale purchasing operations:														
Sales:	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>	
Fertilizer.....	6,587.79	281.27	1,197.15	704.00	180.00		2,674.36	16,935.72	120,926.98	87,581.78	28,131.99	19,244.70	294,445.74	
Seed.....	63.71	9,605.33	88,367.77	45,863.43	4,363.30	5,775.43	39.15	1,475.27	28,304.50	27,809.39	7,561.75	2,316.19	221,474.22	
Feed.....	910.62	971.81	4,017.15	2,971.26	1,257.26	1,508.66	1,508.01	1,279.57	2,775.68	4,374.22	4,057.12	3,751.69	29,382.95	
Syrup cans.....	15.00	1,822.97	1,284.19	9,082.96	10,301.43	1,029.51	1,029.51		30.25			625.47	24,194.81	
Other miscellaneous.....	458.60	222.56	2,782.34	3,486.27	721.75	23.04	17.80	17.95	357.77	529.39	647.52	901.06	10,166.05	
Total.....	8,020.72	11,095.97	98,187.38	54,309.16	15,635.30	17,608.56	5,268.83	19,708.51	152,364.93	120,325.03	40,398.38	26,741.01	569,663.77	
Cost of sales:														
Fertilizer.....	6,245.87	266.67	1,135.01	667.46	170.66		2,542.74	16,094.43	114,767.39	83,121.93	26,705.73	18,261.02	269,658.88	
Seed.....	59.53	9,173.19	84,443.41	43,801.97	4,196.40	5,635.86	39.31	1,383.18	26,650.66	25,839.49	7,063.60	2,074.53	210,359.03	
Feed.....	882.74	942.07	3,886.01	2,875.39	1,218.69	1,462.48	1,461.85	1,239.74	2,688.93	4,240.12	3,932.20	3,636.77	28,466.99	
Syrup cans.....		14.71	1,787.67	1,259.32	8,907.00	10,101.94	1,009.57		29.66			616.30	23,726.26	
Other miscellaneous.....	431.98	208.30	2,294.68	3,035.60	674.17	19.00	14.18	16.42	302.56	437.21	599.54	878.84	8,912.48	
Total.....	7,620.12	10,604.94	93,546.78	51,639.74	15,167.01	17,219.28	5,068.66	18,733.77	144,399.41	113,667.41	38,301.07	25,467.46	541,433.64	
Brokerage and trading income:														
Fertilizer.....	341.92	14.60	62.14	36.54	9.34		131.62	841.29	6,169.62	4,459.85	1,426.26	983.68	14,470.86	
Seed.....	4.18	432.14	3,924.36	2,061.46	196.90	139.57	.84	92.09	1,653.94	1,970.90	498.15	140.66	11,115.19	
Feed.....	27.89	29.74	131.14	95.87	38.57	46.18	46.16	39.83	86.75	134.10	124.92	114.82	915.96	
Syrup cans.....		.29	35.30	24.87	175.90	199.49	19.94			.69			468.55	
Other miscellaneous.....	26.62	14.26	487.66	450.67	47.58	4.04	3.62	1.53	55.21	92.18	47.98	22.22	1,253.57	
Total.....	400.60	491.03	4,640.60	2,669.41	468.20	389.28	202.18	974.74	7,966.52	6,657.62	2,097.31	1,273.55	28,230.13	
Farm products marketed:														
Sales:														
Potatoes.....												1,842.14	7,631.36	9,473.50

Syrup.....					35.58	6.34	733.28	1,064.55	954.64	49.54	257.00	11.40	3,112.33
Total.....					35.58	6.34	733.28	1,064.55	954.64	49.54	2,069.14	7,642.76	12,585.63
Cost of sales:													
Potatoes.....											1,902.90	7,893.08	9,795.98
Syrup.....					79.78	7.09	819.93	1,190.34	1,067.44	55.39	287.37	12.75	3,490.09
Total.....					79.78	7.09	819.93	1,190.34	1,067.44	55.39	2,190.27	7,895.83	13,266.07
Trading income: †													
Potatoes.....											-90.76	-251.72	-312.48
Syrup.....					-4.20	-.75	-86.65	-125.79	-112.80	-5.85	-30.37	-1.35	-367.76
Total.....					-4.20	-.75	-86.65	-125.79	-112.80	-5.85	-91.13	-253.07	-680.24
Gross income from wholesale purchasing and marketing operations.....	400.60	491.03	4,640.60	2,669.41	464.09	388.53	115.53	848.95	7,852.72	5,651.77	2,006.18	1,020.48	27,549.89
Net income or loss from branches ‡.....	-332.93	-294.74	521.84	443.83	115.23	-593.05	-584.74	-495.22	440.76	1,666.16	347.79	-71.32	1,163.61
Net income or loss from insurance department §.....	71.63	188.00	-21.81	10.83	89.02	47.02	85.06	150.28	170.17	-3.12	237.31	75.59	1,099.98
Gross operating income or loss †.....	139.30	384.29	5,140.63	3,124.07	668.34	-157.50	-384.15	504.01	8,463.65	8,314.81	2,591.28	1,024.75	29,813.46
Operating expense:													
Salaries.....	1,242.82	1,331.32	1,230.22	1,234.49	961.16	961.16	1,042.66	1,191.65	1,776.57	1,900.26	1,313.14	1,348.86	15,532.11
Automobile and travel expense.....	291.31	45.54	134.04	231.47	20.54	43.15	129.40	34.99	91.58	199.00	89.47	175.79	1,493.28
Telephone and telegraph.....	217.63	222.19	317.66	245.31	134.90	84.28	105.61	199.25	622.79	433.11	453.74	127.26	3,190.73
Other operating expense †.....	579.04	579.04	579.04	579.04	579.04	579.04	579.04	579.04	579.04	579.04	579.05	579.05	6,948.50
Total.....	2,330.80	2,178.09	2,260.96	2,290.31	1,704.64	1,667.63	1,856.71	2,001.93	3,069.98	3,108.41	2,465.40	2,229.76	27,164.62
Net operating income or loss †.....	-2,191.50	-1,793.80	2,879.67	833.76	-1,036.30	-1,825.13	-2,240.86	-1,497.92	5,393.67	5,206.40	126.88	-1,205.01	2,648.86
Other income.....												370.00	370.00
Other expense.....	2.20	49.11	116.06	105.35	33.70	29.21	47.32	66.62	45.40	2.20	2.20	2.93	503.75
Net income or loss †.....	-2,193.70	-1,842.91	2,764.62	728.41	-1,070.06	-1,854.34	-2,288.18	-1,566.94	5,348.27	5,204.20	123.68	-837.04	2,515.11

† Trading income only.

‡ A minus sign indicates a loss.

§ Other operating expense was distributed on an equal monthly basis, since the general items of expense, such as rent and insurance, did not vary greatly from month to month.

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. Hensley 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 Omer W. Herrmann*
- Transportation of Milk in the Philadelphia Milkshed**
Bulletin No. 13, *John J. Scanlan*
- Cooperative Organization of Iowa Farmers' Creameries**
Bulletin No. 14, *Frank Robotka and Gordon C. Laughlin*
- Contract Feeding of Lambs and Cattle**
Bulletin No. 15, *C. G. Randell*
- Milk Cooperatives in Four Ohio Markets**
Bulletin No. 16, *William C. Weldon and T. G. Stitts*
- Commercial Trucking of Fruits and Vegetables in Nine Atlantic Coast States**, Bulletin No. 17, *Nephtune Fogelberg and H. W. Munford, Jr.*
- Use of Motortrucks in Marketing Fruits and Vegetables**
Bulletin No. 18, *Marius P. Rasmussen*
- Business Analysis of the Utah Poultry Producers' Cooperative Association**, Bulletin No. 19, *John J. Scanlan*
- Farmers' Purchasing Associations in Wisconsin**
Bulletin No. 20, *Rudolph K. Froker and Joseph G. Knapp*
- Farmers' Mutual Windstorm Insurance Companies**
Bulletin No. 21, *Gordon A. Bubolz*
- Loans to Farmers' Cooperatives**, Circular No. 6
- Early Developments in Cooperative Cotton Marketing**
Circular No. C-101, *O. W. Herrmann and Chastina Gardner*
- Organization and Operation of Cooperative Irrigation Companies**
Circular No. C-102, *Wells A. Hutchins*
- Western Cattle and Sheep Areas**
Circular No. C-103, *L. B. Mann*
- Economic Analysis of Bargaining Problems of Milk Cooperatives**
Circular No. C-104, *T. G. Stitts and Wm. C. Weldon*
- Cooperative Fluid-Milk Associations in Iowa**
Circular No. C-105, *Paul E. Quintus and T. G. Stitts*

These may be obtained free of charge as long as a supply is available from the

Director of Information and Extension
Farm Credit Administration, Washington, D. C.