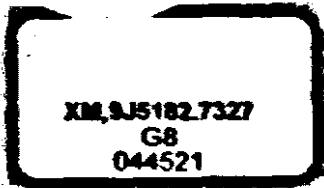


Cooperative
Purchasing of
FARM SUPPLIES
IN MISSISSIPPI

by JOHN H. LISTER

and GERALD M. FRANCIS



CREDIT ADMINISTRATION

Cooperative Division

WASHINGTON, D. C.

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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.

Cooperative Purchasing of Farm Supplies in Mississippi

COOPERATIVE purchasing of farm supplies in Mississippi started about 1920, when several county agricultural agents began purchasing fertilizer cooperatively for groups of farmers in their respective counties. In 1923 these purchasing activities were taken over by the Mississippi Farm Bureau Federation, which set up a State-wide cooperative wholesale purchasing service to serve its county units. Beginning in 1930 the different purchasing units, both county and State, were incorporated as cooperative associations under the Mississippi Agricultural Association Law as amended in 1930. The new State association was called the Mississippi Farm Bureau Federation (A. A. L.).¹ The scope of service of the new associations, which originally included only the purchase of fertilizer, was enlarged to include the purchase of seed, feed, and miscellaneous farm supplies, and the marketing of farm products.

In January 1935 the charters of the Mississippi Farm Bureau Federation (A. A. L.) and its member county cooperatives were amended so as to separate these organizations from the State and county farm bureau units. The name of the State purchasing association then became Mississippi Federated Cooperatives (A. A. L.), and each county unit used the name of its county with the addition "Cooperative (A. A. L.)."

Soon after this change the Cooperative Division of the Farm Credit Administration was requested to study cooperative purchasing associations in Mississippi and to make recommendations for the improvement of their services to farmers.

The writers desire to express appreciation to C. L. McNeil, manager, and to the directors of Mississippi Federated Cooperatives (A. A. L.) and its member county associations for their cooperation throughout the study. Credit is due T. M. Patterson and J. E. Stanley, of the Mississippi State College Extension Service; J. J. Watson, president, and H. O. Pate, treasurer, New Orleans Bank for Cooperatives; and Joseph G. Knapp, Cooperative Division, Farm Credit Administration, for advice and assistance. Credit is also due Mrs. Dorothy Sheehy for assistance in compiling the statistical data.

¹ The Agricultural Association Law as amended in 1930 required that the names of associations incorporated under the act terminate with the letters (A. A. L.).

Purpose and Method of Study

THIS STUDY of Mississippi Federated Cooperatives (A. A. L.) and its member associations was made at the request of Mississippi Federated Cooperatives (A. A. L.), the Mississippi State College Extension Service, and the New Orleans Bank for Cooperatives. Its principal purposes are as follows: (1) To determine some of the effects of economic and agricultural conditions in the State on the development of agricultural cooperation; (2) to outline the organization set-up, membership relations, and operating and financing methods of the State and county associations; (3) to determine the nature and importance of various phases of their business; and (4) to ascertain how the associations can improve their organization, membership, operating and financing methods in order to strengthen the cooperative purchasing and marketing service in the State.

Data for the study were obtained largely through examination of the records of Mississippi Federated Cooperatives (A. A. L.) and the 36 affiliated active county associations, and from interviews with county agricultural agents. Accurate and complete operating and financial data were available for only 24 of the 36 county associations.

Agricultural Conditions in Mississippi

AGRICULTURE is the chief industry in Mississippi; in 1935 the total farm value of major agricultural products was \$209,473,000. As of January 1 of the same year, the number of farmers was 311,683, the average size of farms was 63.1 acres, and the average value of land and buildings per farm was \$1,190.²

Economic Condition of Farmers

The total cash income on Mississippi farms in 1935 was \$140,253,000, compared with \$123,619,000 in 1934—both figures including Federal benefit payments. This income was derived as follows: Crops, \$95,694,000; livestock, \$25,905,000; Federal benefit payments, \$18,654,000. The average cash income per farm was \$450, including benefit payments; average cash income per farm in the United States in 1935 was \$1,057.

Of the 311,683 farmers in the State, 84,594 owned all the land they operated; 8,630 owned some land but rented the rest of the land they operated; 895 were managers; 80,651, tenants; and 136,913, cropper tenants.³ Tenants and croppers represented 69.8 percent of all farm

² Data for value of land and buildings and tenancy are from: U. S. Department of Commerce, Bureau of the Census. *AGRICULTURE*, v. 1, 1935. Data for value of farm production, marketing, and cash farm income are from estimates of the Bureau of Agricultural Economics, U. S. Department of Agriculture.

³ A more comprehensive analysis of farm tenancy in Mississippi is contained in an unpublished report by C. O. Henderson, U. S. Department of Agriculture, Resettlement Administration (now Farm Security Administration) Region VI.

operators. Land operated by tenants and croppers, however, was only 40.1 percent of all land in farms.






According to agricultural leaders in Mississippi, approximately one-third of the farmers in the State purchased most of the supplies and sold the greater part of the farm products produced by the entire group. This control of purchase and sale of farm supplies and products has been brought about by the system of production credit which prevails generally throughout Mississippi, wherein landowners, credit merchants, banks, and others who supply necessary credit require tenants and croppers to purchase supplies and market products through some specified source or agency. For example, one landowner may control the purchasing and selling policies of 10 tenants on his farm. Likewise one credit merchant may control the purchasing and selling policies of several landlords and their tenants through mortgages on equipment and crops. This credit system, along with the lack of adequate operating capital on the part of individual farmers, makes the development of cooperatives difficult in this area.

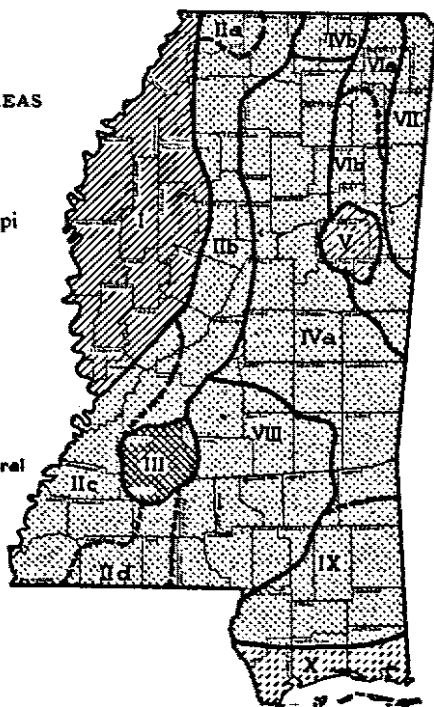
Type of Farming Areas and Production

Mississippi agricultural lands have been classified by the United States Department of Agriculture into 10 farming-type areas corresponding closely with the predominant soil types (fig. 1). The most

FIGURE 1.—TYPE OF FARMING AREAS
IN MISSISSIPPI, 1935.

Purchasing of farm supplies in Mississippi
is closely related to the production
of cotton, which is the principal
crop grown in the State.

- | | |
|---|---|
|  | I - Cotton |
|  | IIa, IIb, IIc, IIc, IVa, IVb, VIa, VIb, VII, VIII, IX } Cotton, General |
|  | III - Trucking, Cotton |
|  | V - Dairying, Cotton |
|  | X - General |



fertile soils are found in the Delta, in the silt and brown-loam soil belts directly east and south of the Delta, and in the northeastern prairie areas. The remainder of the State consists principally of clay hills in the short-leaf pine area in the north central portion, the long-leaf pine area in the southeast, and the Gulf Coast flatwoods.

Although cotton production predominates in the Delta,⁴ in most of the remainder of the State cotton is combined with general farm products. There are two small specialized production sections, the Copiah truck and the Oktibbeha dairy areas. The Gulf Coast region is devoted entirely to general types of farming.

The average number of acres and the farm value of principal crops harvested in Mississippi during the periods 1926-35 and 1936 appear in table 1. Cotton, corn, and hay crops accounted for most of the harvested acres. Cotton contributed almost four times as much production value as did corn. Cotton and corn accounted for about 90 percent of the total value of these major crops.

TABLE 1.—PRINCIPAL CROPS GROWN IN MISSISSIPPI, ACREAGE HARVESTED, AND FARM VALUE, 1926-35 AND 1936

Crop	Number of acres harvested ¹		Farm value of crop ¹	
	Average 1926-35	1936	Average 1926-35	1936
	<i>1,000 acres</i>	<i>1,000 acres</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>
Cotton.....	3,490	2,961	109,818	156,412
Corn (all purposes).....	2,336	2,729	28,177	39,570
Hay (all hay plus sorghums for forage).....	546	873	6,607	11,792
Sweet potatoes.....	71	78	5,812	5,827
Sugar cane (for syrup).....	20	28	2,608	1,747
Sorghum (for syrup).....	21	20	1,230	684
Irish potatoes.....	12	16	1,353	1,414
Total ²	6,496	6,705	155,605	217,446

¹ Compiled from information supplied by Bureau of Agricultural Economics, U. S. Department of Agriculture.

² Total of listed items.

Farm Products Marketed

A large portion of the farm products other than cotton grown in Mississippi is consumed locally, except for vegetables grown in a few specialized counties. With increased production of potatoes, toma-

⁴ The Mississippi Federated Cooperatives (A. A. L.) does not operate to any great extent in the Delta counties.

toes, and cane syrup in recent years, however, larger amounts of these products have become available for out-of-State distribution.

There are two large-scale farmers' cooperative associations handling cotton in the State: the Staple Cotton Cooperative Association with headquarters in Greenwood, and the Mississippi Cooperative Cotton Association (A. A. L.) located at Jackson. In the 1935-36 season, of the 1,226,295 running bales of cotton which came from Mississippi cotton gins, the two cooperative cotton associations handled approximately 367,279 bales, or 30 percent of total ginnings.⁵ The remainder of the cotton crop was marketed through local merchants or cotton buyers.

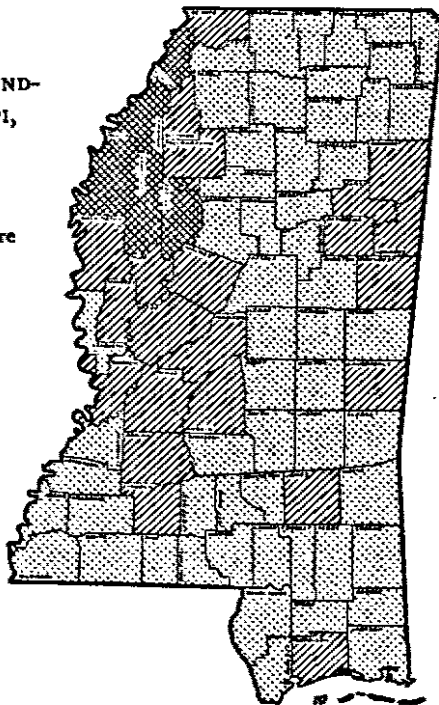
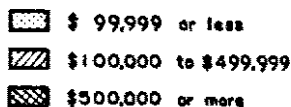
Marketing of most other farm products is carried on locally through merchants and commission agents. In approximately half of the 82 counties in the State farm products have at times been marketed cooperatively by groups of farmers.

Farmers' Expenditures for Feed and Fertilizer

Expenditures by farmers in Mississippi for feed and fertilizer in 1929 are shown by counties in figures 2 and 3. For the entire State, total expenditures for feed by operators of 92,814 farms amounted

FIGURE 2.—TOTAL FARM EXPENDITURES FOR FEED IN MISSISSIPPI, BY COUNTIES, 1929.

Expenditures for feed in Mississippi are greatest in Delta cotton-producing counties, in the counties immediately south of the Delta, and in east central Mississippi.



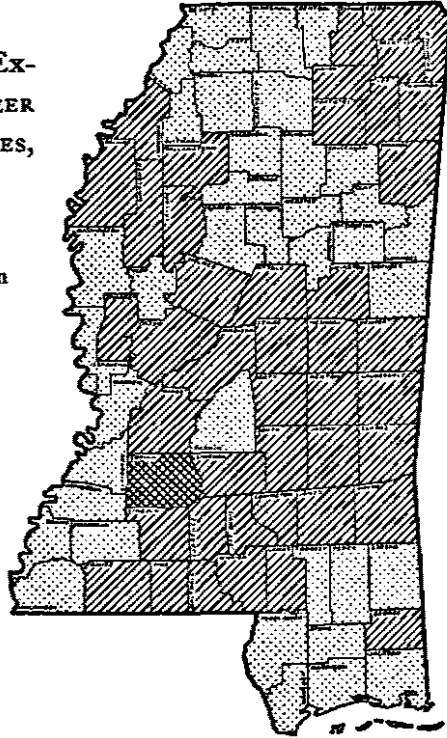
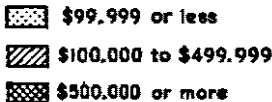
⁵ These figures are based upon reports made by the American Cooperative Cotton Association and the Staple Cotton Cooperative Association.

to \$11,496,363,⁴ or an average of approximately \$124 for each reporting farm; and expenditures for fertilizer totaled \$11,555,349 for 151,309 farms, or an average of approximately \$76 for each reporting farm.

The largest expenditures for feed were in counties located in the Delta region. Expenditures per reporting farm in 13 of the 15 Delta counties were above the State average of \$124, while expenditures

FIGURE 3.—TOTAL FARM EXPENDITURES FOR FERTILIZER IN MISSISSIPPI, BY COUNTIES, 1929.

Fertilizers are used extensively in Mississippi, the greatest consumption being in the south central portion of the State.



per reporting farm were below the State average in all but 12 of the 67 counties outside of the Delta (appendix table 15).

Only one county in the State spent in excess of \$500,000 in 1929 for fertilizer (fig. 3). Twelve counties in the south central part of the State, which comprise the principal truck-farming area, represent both the largest total outlays for fertilizer per county and the highest average expenditures per reporting farm (appendix table 15). For the remainder of the State, expenditures for fertilizer per farm in 1929 were less in 48 counties than the State average expenditure of \$76 per farm.

⁴ U. S. Department of Commerce, FIFTEENTH CENSUS OF THE UNITED STATES: 1930; AGRICULTURE, V. 2, part 2, pages 1124-1131.

Historical Development of Cooperative Purchasing in Mississippi

THE FIRST attempt of farmers in Mississippi to cooperate in their farming activities came between 1905 and 1910 when the Farmers' Union of Mississippi constructed warehouses in many of the counties for the purpose of handling, storing, and marketing cotton. Lack of proper financing and experienced management resulted in the disintegration of this movement between 1910 and 1912.

Because of the failure of this enterprise and the consequent loss of investments by farmers, there was practically no further effort on the part of farmers or agricultural leaders to organize cooperatives in Mississippi until late in 1918. At that time, as a result of the intensive production during the World War and the later slackening of demand, Mississippi farmers found themselves producing large surpluses of certain food and feed stuffs—principally potatoes, corn, hay, and hogs. Since the State had previously produced only enough of these products for local consumption, there were neither marketing agencies to dispose of the surpluses nor adequate facilities for handling and storing them. In this emergency farmers sought help from the Mississippi State College Extension Service. In answer to this request, county agricultural agents loaded pooled cars of various products for shipment to terminal markets and there sold them at prices much more satisfactory than those usually received. No local charge was made for this service.

As a result of this successful venture, farmers developed greater confidence in cooperation. In 1920 several agricultural agents undertook to purchase fertilizer for farmers in their respective counties. The method of purchasing was informal—orders from individual farmers were assembled, and purchases were made in carload lots from manufacturers. The county agents supervised distribution at the car door, collected from farmers at the time of delivery, and paid for the fertilizer received.

About 1923, county agricultural agents were prohibited from handling funds in connection with farmers' business activities. Cooperative purchasing in the counties was then transferred to the Mississippi Farm Bureau Federation, a general farm organization incorporated in 1922 under the Mississippi "Society Act." Under this new operating arrangement the county units of the Federation were responsible for the purchasing of fertilizer, but the county agents continued to promote and superintend the work.

To assist the county farm bureau units with their purchasing activities, the Mississippi Farm Bureau Federation established a State-wide wholesale purchasing service. Carload orders originating in the counties were assembled by the State organization and placed with manufacturers. The large volume of business resulting from this method of purchase enabled the State organization to obtain favorable prices which, together with the low expense attached to distribution, considerably reduced the cost of fertilizer to farmers.

The savings thus effected stimulated the development of cooperative purchasing and greatly increased the volume of the State organization. Between the years 1925 and 1929 the tonnage of fertilizer purchased by the Mississippi Farm Bureau Federation reached a maximum of 50,000 tons per year, or approximately 20 to 25 percent of the State's annual fertilizer requirements. During this period the State organization, because of its large volume and the fact that it purchased large quantities direct from South American producers, was able to sell at prices which had a significant effect on fertilizer prices throughout the State.

Shortly after the Mississippi Farm Bureau Federation started its State cooperative fertilizer-purchasing activities, it had already established a cotton-marketing cooperative known as the Mississippi Farm Bureau Cotton Association. The management of both these State organizations was centered in one general manager, although each organization had a separate board of directors. The cotton marketing association went into receivership in July 1929, carrying with it part of the assets of the Mississippi Farm Bureau Federation.

The cotton association was reorganized in September 1929. A new manager was placed in charge of the Mississippi Farm Bureau Federation, and a field representative was employed to do educational work, to increase membership, and to collect outstanding fertilizer accounts from the county farm bureau units. Through these efforts, the Federation's deficit of approximately \$22,000 had been reduced to \$8,000 by the end of the 1930 season.

In July 1930, after the close of the 1930 fertilizer season, a new State cooperative association known as the Mississippi Farm Bureau Federation (A. A. L.) was formed, under the recently amended Mississippi Agricultural Association Law, to conduct the purchasing activities of the Mississippi Farm Bureau Federation. Shortly after its organization, the new association took over the assets of the old organization and later settled its debts.

Beginning in 1930 all county farm bureau units became incorporated purchasing associations and members of the new State purchasing association—each through the purchase of 20 shares of common stock in the State association. The new county associations were of the membership type, with no membership fees or financial requirements.

The assets and liabilities of the old county farm bureau units were transferred to the new county cooperatives. Their activities were subsequently broadened to include the purchasing of feed, seed, and other supplies, and the marketing of miscellaneous farm products.

The names of the State and county purchasing associations were once more changed in 1935 in order to facilitate the general membership activities of the Mississippi Farm Bureau Federation. The charters of the Mississippi Farm Bureau Federation (A. A. L.) and its affiliated county cooperatives were amended in January 1935, and the names of the organizations were changed so as not to include the words "Farm Bureau." The State purchasing association became the Mississippi Federated Cooperatives (A. A. L.), and each of the county units took the name of its county with "Cooperative (A. A. L.)" added.

Thirty-six of the sixty-three member associations which were operating in 1930 were active in conjunction with the State association in 1936.

Mississippi Federated Cooperatives (A. A. L.)

Organization

The Mississippi Federated Cooperatives (A. A. L.) purchases farm supplies and markets miscellaneous farm products for member county associations. It is organized on a capital-stock basis and incorporated under the Mississippi Agricultural Association Law (secs. 4080-4098, Code 1930).

The total authorized capital stock of the association is \$300,000, consisting of 15,000 shares of common stock with a par value of \$5 per share and 9,000 shares of preferred stock with a par value of \$25 per share. Each member association is required to own at least \$100 worth of common stock, but no member may own more than 5 percent of the total outstanding common stock. This stock carries no fixed rate of dividend, but the bylaws provide that the directors may fix a rate not exceeding 8 percent. On June 30, 1936, the association had \$15,380 of common stock and no preferred stock outstanding. Surplus and reserves totaled \$27,785 on the same date.

Membership

The membership of Mississippi Federated Cooperatives (A. A. L.) on June 30, 1936, consisted of 36 active county purchasing associations. Most of these associations are located in the eastern half of the State; only one is in the Delta section, and two are in southwestern Mississippi. The Staple Cotton Cooperative Association of Greenwood,

Miss., handles farm supplies for its members in the Delta counties. Figure 4 shows the location of Mississippi Federated Cooperatives (A. A. L.) and its member county associations.

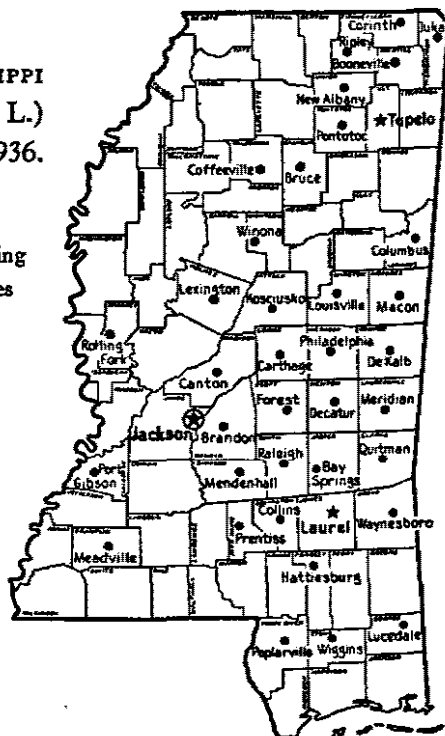
The principal requirements for membership in the State association are:

1. The applicant must be a properly organized county purchasing association or other cooperative association which meets the require-

FIGURE 4.—LOCATION OF MISSISSIPPI FEDERATED COOPERATIVES (A. A. L.) AND ITS MEMBER ASSOCIATIONS, 1936.

The State wholesale farm-supply purchasing association is located at Jackson, operates branches at Tupelo and Laurel, and had 36 active member associations on June 30, 1936.

- ⊙ Mississippi Federated Cooperatives (A.A.L)
- ★ Branches of Mississippi Federated Cooperatives (A.A.L)
- Member Associations



ments of the State cooperative law and has the approval of the board of directors;

2. The applicant must subscribe for 20 shares of common stock of the State association, with a par value of \$5 per share;

3. The applicant must sign a marketing and purchasing agreement to abide by the bylaws of the association, patronize it, and cooperate with it in promoting a State-wide cooperative purchasing and marketing program for agriculture. Member associations pay \$10 annual membership dues.

In order to provide for the payment of patronage dividends to patrons of the branch stores (see p. 16), the bylaws of the State association were amended to permit individual farmers to become members of the State association. Such members must be producers of agricultural products and must agree to comply with the provisions

of the articles of incorporation and bylaws. Applications for producer membership must be approved by the board of directors or by some officer or employee authorized to give such approval. Producer members are not required to pay membership dues or to purchase capital stock, and are not entitled to vote in the affairs of the association unless they have acquired shares of common stock under authority of the board of directors. On June 30, 1936, there were 1,056 producer members located in areas served by the Tupelo and Laurel branch stores.

Management

The management of Mississippi Federated Cooperatives (A. A. L.) is vested in a board of seven directors, all of whom are members of county associations. One director is elected from each of the three Supreme Court districts in the State and four from the State at large. Directors are selected by a nominating committee at the annual meeting and elected by delegates representing the county associations. In selecting directors from the State at large, apportionment is made according to the density of the membership in order that all associations may be represented. The term of office for directors is 2 years. Four directors are elected at one annual meeting and three at the next.

An executive committee of three members chosen by the board of directors from its own number handles the regular routine affairs of the association between board meetings. Directors' meetings are usually held three times a year—in March, July or August, and December. The executive committee meets irregularly about six times a year. Directors and executive committeemen receive \$10 per day and traveling expenses while attending meetings.

The affairs of the association are largely in the hands of a manager who is appointed annually by the board of directors and who works under its supervision. He has power to hire and discharge employees and represent the association in general business matters.

The manager is paid on a fixed salary basis plus an allowance for traveling expenses while on business away from headquarters. Both the manager and the secretary-treasurer, either of whom may sign checks in the name of the association, are required to be bonded for \$10,000.

Six full-time office employees and one traveling auditor handle the general office and auditing work of the association, but additional employees are hired for temporary periods during the busiest seasons. In addition to the regular employees at the central office, the association had five employees at its branches in Tupelo and Laurel. These consist of two managers and three assistant managers.

The manager of the State association exerts some direction over the county associations which are financed by the State organization



FIGURE 5.—CENTRAL OFFICE OF MISSISSIPPI FEDERATED COOPERATIVES (A. A. L.) LOCATED AT JACKSON, MISS.

The State association renders a central purchasing and miscellaneous farm-product marketing service for its member county associations and its two branches.

Such associations are required to operate in accordance with its merchandising, credit, and financial policies. As a means of protecting its own interests, the State association may take over the control of county associations if they fail to operate in accordance with its requirements.

Mississippi Federated Cooperatives (A. A. L.) has the support and general cooperation of Mississippi State College Extension Service, Mississippi Farm Bureau Federation, Mississippi Cooperative Cotton Association (A. A. L.), and the State Department of Vocational Education. These agencies serve in an advisory capacity in matters relating to the general good of Mississippi agriculture.

Facilities

The facilities of the State association consist of a central office at Jackson (fig. 5) and warehouses at Tupelo, Laurel, and Columbia. The office at Jackson is rented and is located in the same building with the Mississippi Cooperative Cotton Association (A. A. L.) and the Mississippi Farm Bureau Federation. The warehouse at Tupelo is owned by the association. It is located in the central wholesale section of the city on land leased from a railroad. The Laurel warehouse, also served by a railroad siding, is rented. At Columbia the warehouse and land are owned by the association, but warehousing operations at that point have been discontinued.

The State association is desirous of establishing other branch distributing warehouses in selected areas where potential demand for farm supplies is large, in order to assist more adequately the county

associations near those areas and to serve as retail farm-supply stores for nearby farmers. As it is difficult to obtain competent and experienced managers for county associations, it is believed that these branch warehouses may serve as training schools for future county managers.

Operating Methods and Problems

Purchase and Sale of Supplies

The method of purchasing used by the State association varies for different kinds of supplies. As a general rule, the association contracts on a yearly basis for the approximate quantities of supplies needed by the county associations. Orders are usually placed with several different agencies, to insure the association against the failure of delivery by any one agency. Some of the supplies are handled on a commission basis, but most are purchased outright. During the year ending June 30, 1936, supplies with a wholesale value of approximately \$569,664 were distributed by the State association. Of this amount 15.4 percent consisted of supplies handled on a commission basis, and 84.6 percent of those purchased outright for resale.

Fertilizer materials such as potash, sulphate, and nitrates, are contracted for on a yearly basis; mixed fertilizer, on a seasonal basis. The contracts contain provisions relative to the maximum and minimum quantities that may be purchased at the contract price. Under this arrangement, unless otherwise agreed upon, the association may purchase at the contract price not less than the minimum amount specified in the contract and not more than the maximum amount.

Feed is purchased on a commission basis. Feed contracts do not contain provisions for specified quantities, but provide for delivery on order and at prices based on wholesale quotations at the time of purchase.

Seed and miscellaneous supplies, such as syrup cans, seed-inoculation compounds, burlap bags, and calcium arsenate, are purchased outright. Contracts for seed are made on an annual basis for specified quantities and prices. Contracts for miscellaneous supplies, on the other hand, provide only for delivery of such quantities as are ordered at prices based on the prevailing wholesale prices.

Supplies that are purchased outright by the State association are sold to the county associations at contract price plus a margin to cover cost of operation. Supplies purchased on a commission basis are priced to the county associations at actual contract price, which includes the State association's commission. In general, the prices charged by the association are not greatly different from those of competitive wholesale agencies.

The county associations are required to place with the State association advance orders for their anticipated requirements of fertilizer and seed in order that contracts may more accurately cover their needs. Under this arrangement, the county associations are entitled to purchase the quantities specified in their orders at prices based on the contract. Additional purchases may be made, but the prices may differ from those of the contract. No advance orders from the county associations are required for feed and miscellaneous supplies, since these supplies are contracted to be delivered at such time and in such quantities as needed and at prices based on prevailing wholesale quotations.

It has been the policy of the State association to handle only supplies of high quality. In order to protect the goodwill which it has attained, the association sells a large proportion of its supplies under its own brand, a four-leaf clover with the letters "M. F. B. F." imposed on the four leaves.⁷ All mixed fertilizer, superphosphates, and about one-half the feed are sold under this brand.

Sales to the county associations are made mostly on a credit basis, with certain discounts allowed for large purchases and prompt payment of accounts. During 1935-1936 no cash or quantity discounts were allowed on any of the supplies, except fertilizer. A cash discount of 1 percent was allowed if fertilizer accounts were paid at the time of delivery, and a quantity discount of 1 percent was allowed if total annual purchases of fertilizer amounted to 200 tons or more.

The pricing of supplies to farmers is left generally to the county associations. In some cases and for some kinds of supplies, however, the State association establishes the price, particularly for associations which are financed by the State organization. Prices at branches are established by the State association at the same level or slightly below competitive prices.

Credit Policies

Although 21 county associations in the State had operated on capital borrowed directly from the New Orleans Bank for Cooperatives during the year ending June 30, 1936, only 5 associations were strong enough financially to meet the requirements for new loans from the Bank at the close of the year. In view of this condition arrangements were made between the Bank and the State association, whereby the State association could borrow funds up to a certain limit to purchase supplies for the county associations. Supplies so purchased were sold to the county associations on a credit basis. The county associations

⁷ This brand was adopted while the State organization still bore the name Mississippi Farm Bureau Federation.

are required to pay an interest charge of 3 percent per annum to the State association for this privilege during the period in which the accounts are unpaid. As the supplies are sold by the county associations, payment is made to the State association, which, in turn, at definite intervals, makes payments on its loan from the Bank. Under this arrangement, the New Orleans Bank for Cooperatives in effect finances the operations of the county associations through its loans to the State association.

As a means of protecting itself against losses sustained on credit sales, the State association requires the county associations that participate in these credit arrangements to contribute annually 1 percent of their maximum indebtedness at any one time during the year to a fund which may be used by the State association to defray credit losses or for any other association purposes. This fund amounted to \$1,348 on June 30, 1936.

Before getting supplies on credit, the county associations are required to enter into a "custodian, financing, and supervision agreement" with the State organization. This agreement provides that the county associations, so long as they are indebted, shall handle their affairs in a conservative business-like manner acceptable to the State organization, and that the employment and compensation of managers shall be subject to its approval. County associations must purchase supplies and market miscellaneous farm products, so far as possible, only through the State association; must budget their expenses monthly and make such changes in budgets as are suggested by the State association. They are required to sell supplies to their members, or others, on a cash basis, unless authorized in writing to the contrary.

No major contracts may be entered into by the county units without approval, so long as they are indebted to the State association. They must at all times maintain cash, or a stock of farm supplies, in an amount not less in value than their indebtedness to Mississippi Federated Cooperatives (A. A. L.). The State association is permitted under the credit agreement to take over the control of any county association, to supply management, and to operate it when such action is deemed necessary.

In order to assist the county associations in standardizing and perfecting their operating and financial methods, the State association requires that uniform bookkeeping systems be maintained and that monthly financial and operating reports be sent to the central office for comparative and analytical purposes. Annual audits of the county associations by auditors approved by the State association are also required. Representatives of the State association make periodic inspections of the county associations and assist them in their problems.



FIGURE 6.—TUPELO BRANCH OF MISSISSIPPI FEDERATED COOPERATIVES
(A. A. L.)

Branch warehouses serve as wholesale distributing centers for nearby county associations and as retail farm-supply stores for local farmers.

Branch-Warehouse Operations

Mississippi Federated Cooperatives (A. A. L.) operates branch warehouses at Tupelo in northeastern Mississippi (fig. 6), and Laurel in the southeastern part of the State. These warehouses are operated partly for the purpose of facilitating wholesale distribution of supplies to nearby county associations, and partly to serve as retail farm-supply stores for farmers in the counties in which the branches are located. This combination of wholesale and retail service permits a more complete utilization of personnel and facilities at the warehouses. In several counties where no county associations or branch stores are in operation, the State association distributes supplies through dealer-agents. These agents purchase supplies on a dealer basis and sell them direct to farmers at retail. The association had 10 dealer-agents on June 30, 1936.

A manager and assistants, in the employ of the State association, are in charge of each of the branches. Weekly reports of the operations at the branches are required of the managers. These reports show the volume of wholesale shipments and retail sales, as well as weekly operating expenses. Weekly inventory reports showing volume and condition of stocks on hand are also required. The operating records kept by the managers of the branch warehouses, as well as the inventories of supplies in stock, are checked at frequent intervals by representatives of the State association.

Marketing Farm Products

The State association serves the county associations as a marketing agency for miscellaneous farm products. During the year ending June 30, 1936, potatoes and cane syrup were the only products marketed by the association. Other products—such as hay, corn, poultry, and livestock—have not been included in the association's marketing program, since it endeavors to market only those products which are produced in sufficient quantities to justify the maintenance of a wholesale marketing service for out-of-county or out-of-State sales.

For products which it markets, the association receives during the marketing season telegraphic price quotations several times each day. It is thus in a position to sell the products for member associations to advantage. A brokerage charge is made for this marketing service. In some cases, the association makes an advance upon delivery of products for marketing.

In its marketing activities the State association has encountered difficulties arising from the uncertainty of quality and lack of proper grading of products loaded at country points. If the State association is to function as a marketing agency for miscellaneous farm products, it will be necessary for the products offered for sale to meet certain quality and grade standards. For this reason, it would be well to consider establishment of locally owned and controlled assembling and grading stations, under qualified management, at strategic points in the principal producing districts. Under this arrangement, the State association would have greater assurance of the quality and grades of products offered for sale and thus be in a better position to market them successfully.

Insurance Department

The State association serves as the agency for the State Farm Mutual Automobile Insurance Company of Bloomington, Ill. Under the contract with the insurance company, the association has the authority to select and supervise the company's insurance agents in different parts of Mississippi. For this service it receives a State-agency commission on all policies sold.

Manufacture of Fertilizer

Mississippi Federated Cooperatives (A. A. L.) is interested in the cooperative manufacture of fertilizer through ownership of capital stock in the Gulf States Fertilizer Cooperative (A. A. L.) with headquarters and plant at Gulfport, Miss. The total capitalization of this association is \$3,300, in which the share of the State association is \$1,000. The balance of the capital stock is owned by other coopera-

tive organizations which operate in the fertilizer-distributing field. During the year ending June 30, 1936, the fertilizer association manufactured and sold 1,906 tons of mixed fertilizer and sold 456 tons of fertilizer materials. Of this amount Mississippi Federated Cooperatives (A. A. L.) purchased approximately 200 tons, or less than 2 percent of its total requirements for that year.

Volume of Sales

The total volume of supplies handled on a wholesale basis by Mississippi Federated Cooperatives (A. A. L.) during the year ending June 30, 1936, amounted to \$569,664. Fertilizer and seed made up the bulk of the sales, although a considerable volume of feed and mis-

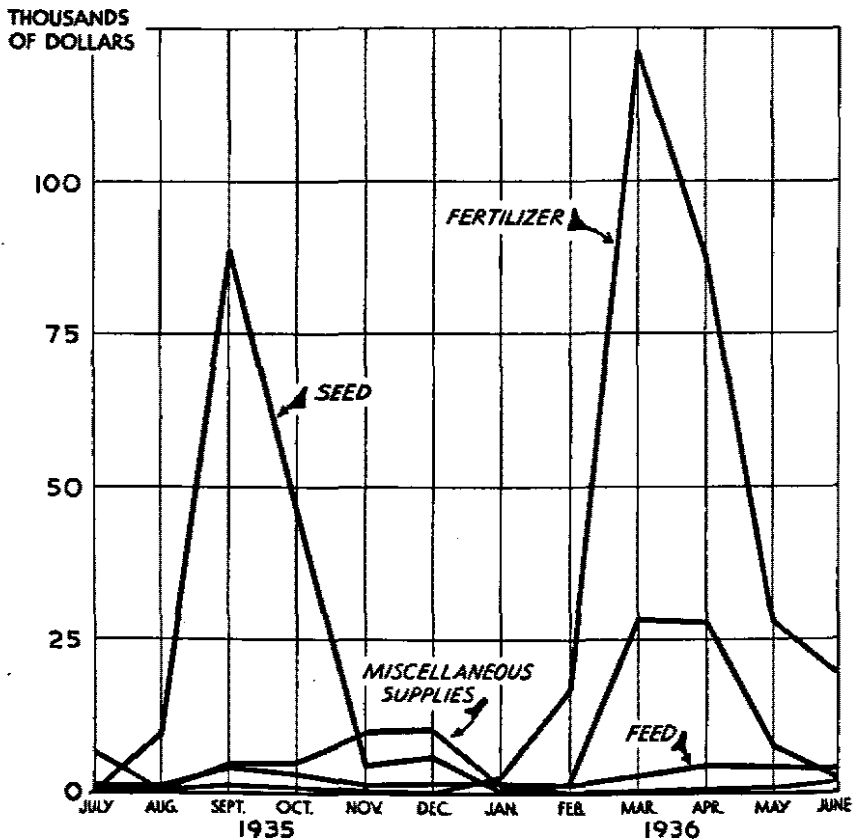


FIGURE 7.—MONTHLY SALES OF FARM SUPPLIES BY MISSISSIPPI FEDERATED COOPERATIVES (A. A. L.) TO THE COUNTY ASSOCIATIONS.

One of the major problems confronting the State association is the seasonal nature of the business.

cellaneous supplies were sold. The distribution of total sales by commodities for the year ending June 30, 1936, was as follows:

Fertilizer.....	\$284, 446
Seed.....	221, 474
Feed.....	29, 383
Miscellaneous supplies.....	34, 361
Total.....	<u>7*569, 664</u>

In addition to its wholesale business, the association had retail sales totaling \$157,842. These retail sales were made at the branch warehouses located at Tupelo, Laurel, Kosciusko, and Brookhaven. The branches at Kosciusko and Brookhaven were discontinued because of unprofitable operation during or at the close of the year ending June 30, 1936. Retail sales of the association consisted of the following commodities:

Fertilizer.....	\$25, 841
Seed.....	65, 346
Feed.....	43, 325
Miscellaneous supplies.....	18, 330
Total.....	<u>7*157, 842</u>

* Sales for the year ending June 30, 1937, were: Supplies sold at wholesale, \$710,445; supplies sold at retail \$156,773; farm products marketed, \$14,729.

TABLE 2.—MONTHLY WHOLESALE SALES OF PRINCIPAL FARM SUPPLIES OF MISSISSIPPI FEDERATED COOPERATIVES (A. A. L.), FOR THE YEAR ENDING JUNE 30, 1936

Month	Fertilizer		Seed		Feed		Miscellaneous		Total	
	Amount	Percentage of total sales	Amount	Percentage of total sales	Amount	Percentage of total sales	Amount	Percentage of total sales	Amount	Percentage of total sales
1936	<i>Dollars</i>	<i>Percent</i>	<i>Dollars</i>	<i>Percent</i>	<i>Dollars</i>	<i>Percent</i>	<i>Dollars</i>	<i>Percent</i>	<i>Dollars</i>	<i>Percent</i>
July.....	6, 888	2.3	94	0	911	3.1	468	1.3	8, 021	1.4
August.....	281	.1	8, 605	4.3	972	3.3	258	.7	11, 096	2.0
September.....	1, 197	.4	88, 328	39.9	4, 017	13.7	4, 605	13.4	98, 187	17.2
October.....	704	.2	45, 863	20.7	2, 971	10.1	4, 771	13.9	54, 309	9.6
November.....	180	.1	4, 393	2.0	1, 287	4.3	9, 805	28.5	15, 635	2.7
December.....			5, 775	2.6	1, 509	5.1	10, 325	30.0	17, 609	3.1
1935										
January.....	2, 675	.9	39	0	1, 508	5.1	1, 047	3.0	5, 269	.9
February.....	16, 936	6.0	1, 475	.7	1, 280	4.4	18	.1	19, 709	3.5
March.....	130, 927	42.6	26, 305	12.6	2, 775	9.4	358	1.1	152, 365	26.8
April.....	87, 581	30.8	37, 810	12.6	4, 374	14.9	560	1.6	120, 325	21.1
May.....	28, 132	9.9	7, 562	3.4	4, 037	13.8	647	1.9	40, 398	7.1
June.....	19, 245	6.8	2, 215	1.0	3, 732	12.8	1, 529	4.3	26, 741	4.7
Total.....	284, 446	100.0	221, 474	100.0	29, 383	100.0	34, 361	100.0	569, 664	100.0

The wholesale business of the State association is of a very seasonal nature; the months of greatest sales activity are March, April,

September, and October. The association's monthly wholesale supply business for the year ending June 30, 1936, is shown in table 2 and figure 7. It will be observed that 73.3 percent of the fertilizer was sold in March and April; 60.6 percent of the seed in September and October, and 25.4 percent of the seed during March and April. Feed sales were not so seasonal as fertilizer and seed. Approximately 41.5 percent of the feed was sold during the 3 months, April to June, and 23.8 percent during September and October. About 85.8 percent of the miscellaneous supplies were sold during the 4-month period, September to December. Syrup cans and seed-inoculation compound made up the bulk of the miscellaneous supplies, although small quantities of burlap bags and calcium arsenate were sold. Retail sales of supplies at the branches followed the seasonal trend of wholesale supply sales.

TABLE 3.—COMPARATIVE OPERATING STATEMENTS, MISSISSIPPI FEDERATED COOPERATIVES (A. A. L.) AS OF JUNE 30, 1932-36¹

Item	1932		1933		1934		1935		1936	
	Amount	Percentage of gross operating income	Amount	Percentage of gross operating income	Amount	Percentage of gross operating income	Amount	Percentage of gross operating income	Amount	Percentage of gross operating income
Gross income: ²	<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>	<i>Dol.</i>	<i>Pct.</i>
Fertilizer.....	5, 128	45. 9	4, 695	34. 1	3, 313	7. 8	18, 288	37. 0	14, 477	25. 6
Seed.....	1, 380	12. 4	3, 497	25. 4	6, 953	16. 4	11, 107	22. 5	11, 115	27. 3
Feed.....	8	. 1	9	. 1	2	0	107	. 2	916	2. 3
Other supplies.....	896	8. 0	158	1. 1	772	1. 8	1, 085	2. 2	1, 722	4. 2
Farm products marketed	29	. 2	205	1. 5	23, 916	56. 3	4, 572	9. 2	—680	—1. 7
Branch operations ³	0	0	0	0	806	1. 9	9, 639	19. 5	10, 450	25. 7
Insurance department.....	3, 726	33. 4	5, 215	37. 8	6, 732	15. 8	4, 630	9. 4	2, 703	6. 6
Total gross operating income.....	11, 167	100. 0	13, 779	100. 0	42, 484	100. 0	49, 428	100. 0	49, 703	* 100. 0
Less: Operating expense.....	15, 987	143. 2	11, 884	86. 2	22, 241	52. 3	33, 825	68. 4	38, 054	93. 5
Net operating income ⁴	—4, 820	—43. 2	1, 895	13. 8	20, 253	47. 7	15, 603	31. 6	2, 649	6. 5
Add: Other income.....	280	2. 5	50	. 3	24	0	464	. 9	370	. 9
Deduct: Other expenses and deductions.....	121	1. 0	101	. 7	396	. 9	894	1. 8	504	1. 2
Net income ⁵	—4, 661	—41. 7	1, 844	13. 4	19, 881	46. 8	15, 183	30. 7	2, 515	6. 2

¹ Statements for years 1932 to 1934, inclusive, are for Mississippi Farm Bureau Federation (A. A. L.).

² A minus sign indicates a loss.

³ Includes \$10,079 gross operating income and \$371 income from classing and receiving cotton in 1936.

⁴ This figure includes the gross income of the branches and the insurance department, whereas the gross operating income shown in table 16 includes the net income from branches and the insurance department.

Gross Income

A condensed operating statement covering all operations of Mississippi Federated Cooperatives (A. A. L.) for the years 1932 to 1936 inclusive appears in table 3. It will be noted that the total gross

income of the association for 1936 amounted to \$40,703; including the central office income and the gross incomes of the branch warehouses and the insurance department. This total, although somewhat less than the total for either of the preceding 2 years, was considerably larger than the gross income for 1932 or 1933. The principal sources of income during 1936 were wholesale sales of fertilizer and seed and income from retail operations. Farm products marketed that year were handled at a loss.

Wholesale Supply-Purchasing Operations

As stated previously, the association purchases supplies outright for resale to the county associations, and also buys supplies on a commission basis for those associations. For the year ending June 30, 1936, commercial mixed fertilizers, with a total sales value of \$239,150, were purchased outright and sold to the county organizations (table 4). On these transactions the association received a gross trading income amounting to \$12,427, or 5.2 percent of the sales value. During the same period, fertilizer and fertilizer materials having a sales value of \$45,296 were purchased on a commission basis for the county associations. Commission receipts on these transactions amounted to \$2,050, or 4.5 percent of the value of the supplies. The gross income from fertilizers, including trading and commission transactions, totaled \$14,477 and averaged 5.1 percent of sales.

TABLE 4.—GROSS INCOME FROM WHOLESALE SUPPLY PURCHASING OPERATIONS, MISSISSIPPI FEDERATED COOPERATIVES (A. A. L.) BY TYPES OF SALE, YEAR ENDING JUNE 30, 1936

Commodity	Amount of sales	Gross income from sales	
		Amount	Percentage of sales
Fertilizer:	<i>Dollars</i>	<i>Dollars</i>	<i>Percent</i>
Trading.....	239, 150	12, 427	5. 2
Commission.....	45, 296	2, 050	4. 5
Seed: Trading.....	221, 474	11, 115	5. 0
Feed:			
Trading.....	5, 828	195	3. 3
Commission.....	23, 555	721	3. 1
Miscellaneous supplies:			
Trading.....	15, 311	414	2. 7
Commission.....	19, 050	1, 308	6. 9
Total or average.....	569, 664	28, 230	5. 0

Seed sold by the association was handled entirely on a trading basis. Seed sales totaling \$221,474 produced a gross trading income amounting to \$11,115, or 5 percent of sales. Feed was purchased for the county associations partly on a trading basis and partly on a commission basis. The value of the feed sales made on a trading basis totaled \$5,828; and the gross trading income amounted to \$195, or 3.3 percent of sales. The value of feed sold on a commission basis totaled \$23,555; and the total commission received on these transactions amounted to \$721, or 3.1 percent of sales. Miscellaneous supply sales, which included principally syrup cans and seed-inoculation compounds, totaled \$34,361, of which \$15,311 was trading sales and \$19,050 commission sales. The gross income received from trading operations in miscellaneous supplies was \$414, or 2.7 percent of sales; the commissions received amounted to \$1,308, or 6.9 percent of the value of supplies sold on that basis. The total gross income on all wholesale operations amounted to \$28,230 and averaged 5 percent of sales.

Retail Operations at Branch Warehouses

On its retail operations at the branches for the year ending June 30, 1936, the State association received a gross trading income amounting to \$10,079, or 6.4 percent of sales. As shown in table 5, feed showed the largest retail-trading margin. Feed sales totaling \$48,325 produced a trading income of \$4,936, or 10.2 percent of sales. Seed was second in importance from the standpoint of trading margin. Seed sales totaling \$65,346 yielded a trading income of \$3,488, or 5.3 percent of sales. Gross trading margins on fertilizer and miscellaneous supplies averaged 4 percent and 3.4 percent of sales respectively. For fertilizer, the spring of 1936 was abnormal because of highly competitive conditions. The usual retail margin on fertilizer in Mississippi is 7 or 8 percent of sales.

Marketing Farm Products

During the year ending June 30, 1936, the State association marketed 8,718 bushels of Irish potatoes and 8,768 gallons of syrup for the county associations, and advanced \$13,266 for these products.^{7b} Buyers refused to accept some of the shipments at destination because the quality and grading were not satisfactory. It was necessary, in order to dispose of these rejected products, to sell them at a loss of \$680, or 5.4 percent of the sales value. For the years 1932-35, however, the association had consistently realized a net income on its marketing operations, particularly in 1934 and 1935 when large quantities of cane syrup and potatoes were sold at satisfactory prices to Federal relief agencies.

^{7b} See footnote 7a, p. 19.

TABLE 5.—GROSS TRADING INCOME FROM RETAIL SALES OF THE BRANCHES OF MISSISSIPPI FEDERATED COOPERATIVES (A. A. L.), YEAR ENDING JUNE 30, 1936

Type of supplies	Amount of sales	Trading income from sales	
		Amount	Percentage of sales
	<i>Dollars</i>	<i>Dollars</i>	<i>Percent</i>
Fertilizer.....	25, 841	1, 024	4. 0
Feed.....	48, 325	4, 936	10. 2
Seed.....	65, 346	3, 488	5. 3
Miscellaneous supplies.....	18, 330	631	3. 4
Total.....	157, 842	10, 079	6. 4

Insurance Department

The association received gross insurance commissions amounting to \$2,703 in 1936. The estimated expenses of operating the insurance department amounted to \$1,603, and the net income from insurance operations for the year was \$1,100.

Operating Expense

The operating expense of Mississippi Federated Cooperatives (A. A. L.) for the year ending June 30, 1936, amounted to \$38,054 or 93.5 percent of its gross operating income. This was somewhat larger than the operating expense for the preceding year because of the additional expense incident to handling the financing of county associations. Of the total expense for 1936, \$27,165 or 71.4 percent, was for operating the central office. The expenses of the branches, including \$9,126 of operating expense and \$160 of interest paid, totaled \$9,286 or 24.4 percent of the association's total expense. Expenses for the insurance department were \$1,603, or 4.2 percent of total expense. Table 6 shows an analysis of operating expense of the association for the year ending June 30, 1936.

The expenses of operation for the branches totaled \$9,126 or 5.8 percent of the retail sales, for the year ending June 30, 1936 (table 7). Salaries and wages were the largest items, constituting \$6,068 or 66.5 percent of the total. The remaining \$3,058 or 33.5 percent of total expense, covered such items as rent, insurance, depreciation, telephone and telegraph, and miscellaneous expenses.

Wholesale business was not included in the operating statement for the branches, since those sales were handled through the association's

main office—the branches serving only as warehousing and distributing points. The expenses of handling wholesale supplies at the branches were charged entirely to the retail operations.

TABLE 6.—ANALYSIS OF OPERATING EXPENSE OF MISSISSIPPI FEDERATED COOPERATIVES (A. A. L.), FOR THE YEAR ENDING JUNE 30, 1936

Expense item	Amount	Percentage of total operating expense
	Dollars	Percent
Manager's salary.....	5,000	13.1
Secretary-treasurer's salary.....	2,500	6.6
Salesmen's commission.....	1,252	3.3
Office salaries.....	6,780	17.8
Directors' per diem and expense.....	656	1.7
Auto and travel expense.....	1,493	3.9
Rent.....	495	1.3
Taxes.....	15	.1
Insurance on buildings, inventory, and equipment.....	575	1.5
Repairs.....	19	.1
Depreciation, buildings, and equipment.....	509	1.3
Telephone and telegraph.....	3,191	8.4
Postage and office supplies.....	1,198	3.1
Light and heat.....	72	.2
Advertising.....	345	.9
Audit expense.....	250	.7
Legal expense.....	246	.7
Bonding employees.....	188	.5
Exchange.....	912	2.4
Annual-meeting expense.....	194	.5
Dues and subscriptions.....	203	.5
Contributions.....	127	.3
Bad-debt expense.....	652	1.7
Miscellaneous expense.....	293	.8
Total for central office.....	27,165	71.4
Operating expense—branches ¹	9,286	24.4
Operating expense—insurance department.....	1,603	4.2
Total.....	38,054	100.0

¹ Includes \$9,126 of operating expense and \$160 of interest paid.

Net Income

The net operating income of the association from all activities for 1936 totaled \$2,649, or 6.5 percent of its gross operating income.⁷⁰ As shown in table 5, this was considerably smaller than the net operating income for 1934 or 1935, but larger than that for 1932 and 1933. The

⁷⁰ Net income for the year ending June 30, 1937, was \$8,741.

small income in 1936 is accounted for partially by reduced income from handling fertilizer, farm products, and insurance, and partially by increased expense.

TABLE 7.—COMBINED OPERATING STATEMENT FOR BRANCHES OF MISSISSIPPI FEDERATED COOPERATIVES (A. A. L.) YEAR ENDING JUNE 30, 1936

Item	Tupelo		Laurel		Brookhaven		Kosciusko		Total	
	Amount	Percentage of sales	Amount	Percentage of sales	Amount	Percentage of sales	Amount	Percentage of sales	Amount	Percentage of sales
	Dol-lars	Per-cent	Dol-lars	Per-cent	Dol-lars	Per-cent	Dol-lars	Per-cent	Dol-lars	Per-cent
Sales:										
Fertilizer.....	7, 408		13, 593		4, 449		396		23, 841	
Feed.....	33, 977		8, 636		4, 820		891		48, 324	
Seed.....	32, 628		16, 323		9, 968		6, 428		65, 347	
Miscellaneous supplies.....	2, 493		11, 526		912		3, 299		18, 330	
Total sales.....	76, 501	100. 0	50, 178	100. 0	20, 149	100. 0	11, 014	100. 0	157, 842	100. 0
Cost of sales:										
Fertilizer.....	7, 112		12, 876		4, 424		404		24, 816	
Feed.....	30, 079		8, 287		4, 089		934		43, 389	
Seed.....	30, 797		15, 533		9, 481		6, 048		61, 859	
Miscellaneous supplies.....	2, 334		11, 323		795		3, 247		17, 699	
Total cost of sales.....	70, 322	91. 9	48, 019	95. 7	18, 789	93. 3	10, 633	96. 5	147, 763	93. 6
Gross trading income.....	6, 179	8. 1	2, 159	4. 3	1, 360	6. 7	381	3. 5	10, 079	6. 4
Operating expenses:										
Manager's salary.....	1, 465		250		775		813		3, 323	
Warehouse wages.....	1, 349		642		376		175		2, 542	
Other wages.....			148		34		21		203	
Rent.....			360		320		210		890	
Insurance.....	79		92		16		20		207	
Repairs.....	104		10						114	
Depreciation.....	292		21						313	
Light and heat.....	31		47				8		86	
Telephone and telegraph.....	127		239		53		61		451	
Postage and office supplies.....	54		67		19		38		178	
Exchange on drafts.....							7		7	
Advertising.....	106		71		17				196	
Manager's auto and travel expense.....			30				10		40	
Bad debt expense.....	109		48						167	
Miscellaneous expense.....	313		41		65				419	
Total operating expense.....	4, 051	5. 3	2, 057	4. 1	1, 655	8. 2	1, 363	12. 4	9, 126	5. 8
Net operating income.....	2, 128	2. 8	102	. 2	-295	-1. 5	-982	-8. 9	953	. 6
Commissions received for handling cotton.....							371	3. 4	371	. 2
Interest paid.....	125	. 2	26	0	10	0			160	. 1
Net income.....	2, 003	2. 6	77	. 3	-305	-1. 5	-611	-5. 3	1, 164	. 7

¹ Includes approximately \$5,000 of farm products marketed.

² Includes approximately \$4,700 of farm products marketed.

The association received from its county units nonoperating income in the form of membership dues amounting to \$370 in 1936 (table 3). It also had expenses of a nonoperating nature amounting to \$504, consisting mostly of interest on borrowed funds. After adjustments were made for these items of other income and other expense, the net income of the association was reduced to \$2,515, or 6.2 percent of gross operating income.

The net operating income of the branches in 1936 amounted to only \$953, or 0.6 percent of retail sales (table 7). In addition to this income from trading operations, the association received commissions totaling \$371 for classing and receiving cotton for the Mississippi Cooperative Cotton Association (A. A. L.) at one of the branches. Interest paid by the branches totaled \$160 for the year. After giving consideration to these items, the resulting net income for the branches amounted to \$1,164, or 0.7 percent of retail sales. The Brookhaven and Kosciusko branches were operated at losses, and as a result were discontinued.

Monthly Fluctuations in Income

The association's monthly gross operating income for the year ending June 30, 1936, was of a highly seasonal nature, ranging from a gain of \$8,464 in March to a loss of \$384 in January (appendix table 16 and fig. 8).

After deducting expenses, the monthly net income fluctuated from a gain of \$5,348 in March to a loss of \$2,288 in January. March, April, May, September, and October were the months of profitable operation; the other 7 months showed operating losses. Although expenses during the dull months were in some cases as much as 46 percent less than those of the active months, they were still too large to permit profitable operations during those months because, as in any highly seasonal business, many items of overhead expense could not be reduced without seriously affecting the year-round efficiency of the association. The association should endeavor to build up enough business during the dull months to cover overhead expense. This might be done by increased marketing of farm products and by handling additional lines of supplies of a less seasonal nature, such as paint, lubricating oil, and some of the commonly used farm equipment. Dull periods should also be used to carry on service and membership work and to promote business in general.

Distribution of Net Income

According to the bylaws of the State association, the annual net earnings each year after payment of all expenses and dividends on preferred stock shall be disposed of as follows:

Twenty-five percent thereof shall be set aside for the creation and maintenance of reserves, said reserves to be under the control of the board of directors.

Thirty-five percent thereof shall be distributed in cash as patronage dividends.

Out of the remaining 40 percent, dividends shall be paid in cash on the common stock up to the limit provided in these bylaws.

If any amount of said earnings remains undistributed thereafter, it shall be distributed in further patronage dividends, to be paid in additional common stock to members until such time as the entire authorized amount of common stock is outstanding; thereafter in cash.

However, the board of directors shall have discretion in any year to increase the 35 percent set aside for cash patronage dividends up to 5 percent of the net earnings and to distribute the further patronage dividends provided for after payment of dividends on common stock, in cash, either in whole or part.

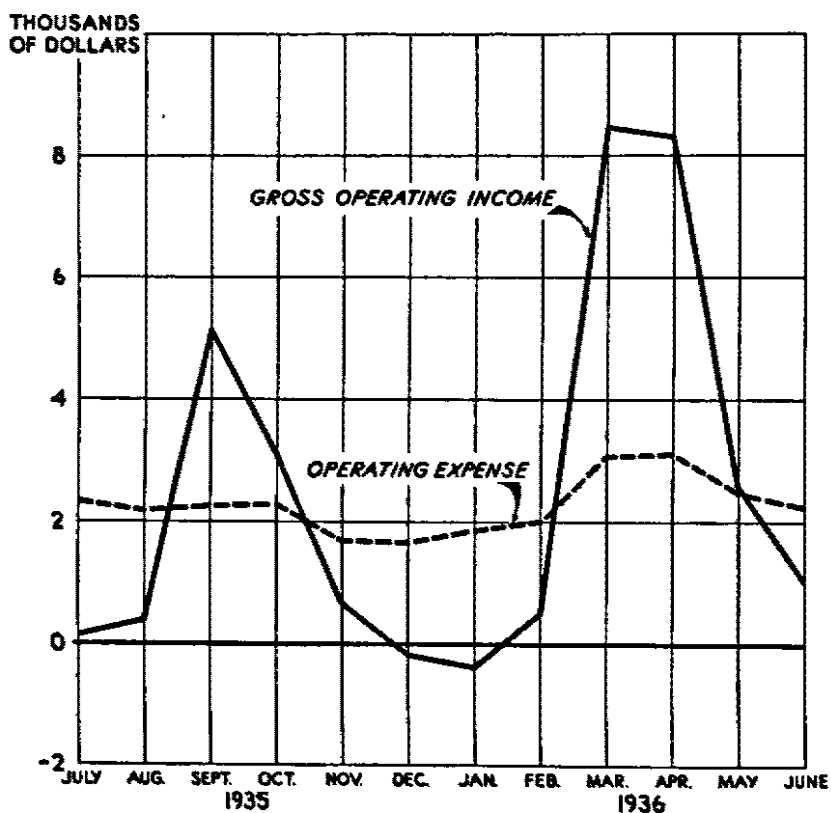


FIGURE 8.—MONTHLY GROSS OPERATING INCOME AND OPERATING EXPENSE OF MISSISSIPPI FEDERATED COOPERATIVES (A. A. L.) YEAR ENDING JUNE 30, 1936.

The operations of the association were of a highly seasonal nature. September and October, and March, April, and May were the principal income-producing months. Operating losses occurred in all other months.

The association has not followed strictly this method of distributing net income. In some years the distribution has been made in the form of cash patronage dividends or additional capital stock, and in other years in the form of cash dividends on capital stock. No distribution was made during 1932 and 1933 because the income for those years did not justify it. Cash dividends totaling \$216 were paid on capital stock in 1934 and \$769 in 1936. The large earnings of the association during 1935 were distributed partly as patronage dividends in the form of capital stock and partly in the form of credits on accounts receivable due from some of the county associations.

It has been the policy of the association to retain in reserves and surplus a large part of its yearly earnings. By so doing, these items have been increased from \$307 in 1932 to \$27,785 in 1936 (table 8).

Financial Condition

The assets of the association increased from \$12,900 in 1932 to \$64,916 in 1936. The bulk of this increase was in current assets, principally accounts and notes receivable, inventories, and cash. In 1936, current assets were 86.9 percent of the total assets, and about 2½ times as large as current liabilities. Furthermore, 53.2 percent of total assets was in the form of accounts and notes receivable. Accounts and notes receivable increased \$18,288 between June 30, 1935, and June 30, 1936, as the result of the association's increased financing of the county associations.

Fixed assets of the association increased from \$2,132 in 1932 to \$5,420 in 1936. Most of this increase came in 1935 when the branch warehouse at Tupelo was built. Fixed assets represented 8.4 percent of total assets in 1936. Other assets of the association—consisting principally of stock in the Gulf States Fertilizer Cooperative (A. A. L.) and the New Orleans Bank for Cooperatives—amounted to \$3,054, or 4.7 percent of total assets.

Liabilities of Mississippi Federated Cooperatives (A. A. L.) on June 30, 1936, all of a current nature, totaled \$21,751. Of this amount \$10,700 was notes payable; \$9,469, accounts payable; and \$1,582, other current liabilities. Liabilities in 1936 were far greater than those of preceding years because of increased borrowings and increased purchasing of supplies on credit, both of which were necessary under the association's plan for financing the county associations.

On June 30, 1936, the association had a maximum line of credit of \$100,000 from the New Orleans Bank for Cooperatives, under which funds for financing peak operations during the spring and fall months were borrowed as needed. The \$10,700 of notes payable covered the balance of operating loans owing to that bank.

TABLE 8.—COMPARATIVE BALANCE SHEETS OF MISSISSIPPI FEDERATED COOPERATIVES (A. A. L.) 1932-36¹

	June 30, 1932		June 30, 1933		June 30, 1934		June 30, 1935		June 30, 1936	
	Amount	Percent- age of total	Amount	Percent- age of total	Amount	Percent- age of total	Amount	Percent- age of total	Amount	Percent- age of total
ASSETS										
Current assets:										
Cash on hand and in banks.....	Dol- lars	Per- cent	Dol- lars	Per- cent	Dol- lars	Per- cent	Dol- lars	Per- cent	Dol- lars	Per- cent
Accounts and notes receivable.....	3,023	23.4	3,201	26.9	17,214	55.0	17,936	38.9	11,067	17.0
Less reserve for uncollectibles.....	9,190	71.3	3,819	32.0	4,947	15.8	17,187	37.2	37,530	57.8
Inventories.....	(3,002)	(23.3)	(301)	(2.5)	(628)	(2.0)	(970)	(2.1)	(3,025)	(4.6)
Total current assets.....	657	5.1	216	1.8	6,179	19.7	5,922	12.8	10,870	16.7
Fixed assets:										
Buildings and equipment.....	2,808	70.5	6,935	58.2	27,712	88.5	40,075	86.8	56,442	88.9
Office furniture and fixtures.....	2,508	19.4	3,408	28.6	2,816	9.0	5,314	11.5	5,765	8.9
Less reserve for depreciation.....	2,033	16.2	2,067	17.5	2,318	7.1	2,547	5.5	2,985	4.6
Total fixed assets.....	(2,459)	(19.1)	(1,577)	(13.2)	(1,909)	(6.1)	(2,391)	(5.2)	(3,330)	(5.1)
Other assets:										
Prepaid items.....	386	3.0	777	6.5	334	1.1	522	1.1	889	1.4
Accruals.....	108	.8	82	.7	48	.1	37	.1	378	.6
Gulf States Fertilizer Cooperative (A. A. L.) stock.....									1,000	1.5
New Orleans Bank for Cooperatives stock.....									700	1.1
Other.....	407	3.2	297	1.7	83	.3	92	.2	87	.1
Total other assets.....	900	7.0	1,066	8.9	465	1.5	651	1.4	5,054	4.7
Total assets.....	12,900	100.0	11,919	100.0	31,302	100.0	46,196	100.0	64,916	100.0
LIABILITIES										
Current liabilities:										
Notes payable.....	2,875	22.3	2,278	19.1					10,700	16.5
Accounts payable.....	1,790	13.9	854	7.1	1,523	4.9	2,716	5.9	9,490	14.6
Other current liabilities.....	528	4.1	22	.2			120	.3	1,582	2.4
Total current liabilities.....	5,193	40.3	3,154	26.4	1,523	4.9	2,836	6.2	21,751	33.5
Noncurrent liabilities: Mortgages.....										
	1,100	8.5	825	6.9						
Total noncurrent liabilities.....	1,100	8.5	825	6.9						
Net worth:										
Capital stock.....	6,300	48.8	6,300	52.9	6,300	20.1	6,300	13.6	15,380	23.7
Reserves and surplus.....	307	2.4	1,643	13.8	23,479	75.0	37,060	80.2	27,736	42.8
Total net worth.....	6,607	51.2	7,943	66.7	29,779	95.1	43,360	93.8	43,116	66.5
Total liabilities and net worth.....	12,900	100.0	11,919	100.0	31,302	100.0	46,196	100.0	64,916	100.0

¹ Prior to 1935 the data cover balance sheets of Mississippi Farm Bureau Federation (A. A. L.).

The net worth of the association on June 30, 1936, was \$43,165, of which \$15,380 was capital stock and \$27,785 reserves and surplus. The capital stock outstanding was increased from \$6,300 in 1935 to \$15,380 in 1936. This increase was the result of the issuance of patronage dividends in the form of capital stock totaling \$4,380 and the issuance out of surplus of a stock dividend totaling \$4,700. Besides these additions to capital stock, a reserve amounting to \$800 was set aside out of surplus to provide, free of charge to financially weak new county associations, the \$100 required to purchase initial membership capital stock in the State association.

Reserves and surplus amounted to \$27,785, or 42.8 percent of total liabilities and net worth, on June 30, 1936. This was a reduction of \$9,275 from 1935. Part of this reduction was the result of the issuance, out of surplus, of stock dividends totaling \$4,700 during the year.

It will be noted in the foregoing that the association has created the greater part of its operating capital by retentions from earnings. Surplus and reserves, exclusive of special reserves, amounted to \$1.73 for each dollar of capital stock held by the county associations; and \$9,080, or 59 percent of the \$15,380 capital stock in the hands of the county associations, was issued to them out of earnings.

Member County Associations

Organization Structure

MISSISSIPPI county cooperatives are organized under the Agricultural Association Law of Mississippi. Uniform articles of association and incorporation were prepared for each county association in accordance with the terms of that law, and are recorded in the office of the Secretary of State. In addition, the State association prepared standard bylaws which are being used by the county associations. In some cases these bylaws have been amended to provide for local conditions.

The purposes of incorporated associations as stated in the articles of incorporation are "to promote the general welfare of agriculture; to enable producers of agricultural products, whether in the State of Mississippi or not, to cooperate in the production, processing, packing, distribution, financing and marketing of agricultural products and the elimination of speculation and waste therein; to enable such producers to organize incorporated associations with or without capital stock, and not for profit but for service to their members, by the organization and operation of such corporations by a simplified and inexpensive

procedure for the promotion and accomplishment of such cooperation and the general welfare of agriculture.”

The Agricultural Association Law of Mississippi provides that 10 or more agricultural producers may incorporate an association, and that its officers and members shall not be legally responsible for the liabilities incurred by the association.

Sources of Capital

With the exception of one association organized on a capital-stock basis,⁹ county associations have not obtained operating capital directly from their members. Otherwise the operating capital of the associations has been built up through retained earnings. On June 30, 1936, surplus and reserves of 32 county associations represented 24.2 percent of their total assets.

During the early periods of operation, supplies were purchased largely on a car-door-delivery basis, and funds to pay for these purchases were, when necessary, obtained from local banks. Some counties tried to establish the cash-payment habit among farmers by requiring that their orders be paid for by the time of arrival of shipments, so that drafts could be paid and the supplies released for distribution. Only seven associations still operate on a car-door basis, and three of these have succeeded fairly well in maintaining a cash basis of operation.

During the year ending June 30, 1936, 22 of the 36 active associations operated on borrowed capital. Of these 22 associations, 21 had loans direct from the New Orleans Bank for Cooperatives, and one had borrowed funds from a local bank. Loans from the New Orleans bank and the local bank were for the purpose of financing the purchase of fertilizer, seed, and feed. On loans from the bank for cooperatives, the interest rate was 3 percent; and in the case of the local-bank loan, the rate was 8 percent.

Twenty-five of the 36 associations received assistance in the form of credit purchases from the State association during the year. Under agreement with the State association, the county associations are required to make payment on their accounts as sales are made. An interest charge of 3 percent per annum is paid to the State association for the period during which the accounts are unpaid. In addition, the county associations are required to contribute 1 percent of the maximum amount of credit extended to them at any one time to a special reserve fund which is used by the State association to defray credit losses or for other purposes.

⁹ This association had outstanding \$3,000 worth of common stock, with a par value of \$5 per share, and \$6,000 of preferred stock having a par value of \$30 per share.

Member Relationships

Each of the 36 active county cooperative associations which are affiliated with Mississippi Federated Cooperatives (A. A. L.) was organized on a county-wide basis for the purpose of serving farmers. Membership in the associations is limited to producers of agricultural products who meet the approval of the board of directors or some person designated to act for them. Members need not be residents of the county in which an association has its headquarters.

Written applications for membership must be made in the form prescribed by the board of directors. Each applicant agrees to abide by the bylaws and patronize the association and avail himself of the services offered. Upon being approved, the applicant becomes a member, and a certificate of membership may be issued in a form provided by the board of directors. No fee is required for membership in an association. Membership continues from year to year unless terminated by discontinuance of agricultural production by the member or violation by him of the bylaws or membership requirements of the association.

Prior to 1935 the associations considered all patrons as members. In 1935, however, the county associations agreed to require signed applications for membership from all farmer patrons, to establish a file of these applications as a permanent membership record, and to deliver to each member a properly signed uniform membership certificate. Not all associations have followed this procedure. In daily practice, many still consider their active patrons to be their members. Each member has a single vote at membership meetings. No special privileges are enjoyed by members over nonmembers in prices, credit, or service. Annual membership meetings are required by the by-laws, and at these meetings a majority constitutes a quorum.

On June 30, 1936, the 36 associations had a total membership of about 13,000 and, in addition, about 1,700 nonmember patrons. Eighteen associations had between 200 and 400 members each; 11 had more than 400 each, and 7 had less than 200 members each. The 1,700 nonmember patrons were found in 9 associations, 3 of which had less than 100 each, 4 had between 100 and 200 each, and 2 had from 200 to 500 each.

Management

In accordance with the provisions of the standard bylaws, county associations are controlled by a board of directors, usually 7 in number. These directors are elected by the members at annual meetings for terms of 2 years. The terms of these officers have been arranged so

that 4 expire in one year and 3 in the succeeding year. Candidates are required to be members of their associations and, consequently, agricultural producers. Quarterly meetings of the directors are required; special meetings may be called by the president, by any other two officers, or by a majority of the directors. The bylaws prohibit the directors from voting by proxy or by mail.

The board of directors of an association may borrow money and incur indebtedness in the name of the association. It may also assist in organizing, apply for membership in, or affiliate with, or make contracts for correlated services with any other association, federation, or corporation created for purposes similar to its own, and for the benefit of producers of agricultural products.

The bylaws require the board to appoint an executive committee of three members. Its regular meetings are monthly and its duties are prescribed by the directors.

The board of directors may employ a manager with such duties and powers as it may delegate to him.⁹ No person is employable who is related to any of the directors or to the manager. In 18 associations the managers were hired; the remaining 18 associations were supervised by county agricultural agents. In only two associations were managers or county agents also directors. Serving in this dual capacity is prohibited by the remaining organizations.

Many of the managers were actively engaged in association work for part of the year only. Usually these part-time managers had other interests, such as farming or operating stores. Hired managers were usually under contract, but in only six counties was this agreement written.

Two associations used local merchants as handlers. In these instances sales were made on a commission basis. The merchant-handler in each case took orders for seed and fertilizer, stored the supplies in his building, and made financial accounting to the members of the association at the end of the supply season. In these two counties the county agricultural agents assist the farmers in marketing their farm products cooperatively.

Twenty-five associations provided surety bonds varying in amount from \$1,000 to \$5,000 for employees responsible for association funds. The bonding of such employees was required of associations which borrowed from the New Orleans Bank for Cooperatives or were financed by the State association.

Compensation of the 18 hired managers was usually low, but was comparable with prevailing rates for similar work. One association paid \$25 per month for 6 months. Five associations each paid \$50

⁹ When county cooperatives obtain financial assistance from the State association the appointment of managers becomes subject to its approval.

per month, but one of these paid an additional commission equal to one-third of net earnings of the association, and another paid a commission of 40 percent of its net earnings. Four associations paid \$60 per month; but in one the salary ran for 6 months only, and in another the manager was promised \$60 per month additional if net earnings were sufficient. Two associations each paid \$65 per month to their managers. Three others paid \$75 per month; but two of these each paid an additional commission of 25 percent of net earnings, and the third paid its manager an annual bonus up to \$300 from amounts earned on cotton handling. Of the three remaining associations one paid \$90 per month and an annual bonus of \$120, another paid \$100 monthly without bonus or commission, and the third paid \$135 monthly.

Managers of the county cooperatives generally do not have the initiative, training, and experience associated with highly efficient management. The seasonal nature of the associations' business and the fact that they are still in the process of development have prevented them from paying annual salaries that would attract more experienced and efficient managers. The further fact that agricultural cooperative enterprises usually need to obtain managers who have had some background and, therefore, some professional interest in that work, has made it difficult to obtain exactly the right men. The State association has endeavored to assist the county associations in locating properly qualified managers and has also taken into its own employment men who were intended later to become county managers.

Warehouse employees of the county associations were generally hired by the managers and were paid wages ranging from \$12.50 to \$60 per month. In the great majority of county cooperatives, however, the manager performed the duties of bookkeeper and warehouseman.

Three associations had full-time bookkeepers, and three employed bookkeepers on a part-time basis. Their salaries ranged from \$40 to \$50 per month. All 36 associations have given insufficient attention to the importance of bookkeeping personnel in maintaining adequate records.

Facilities

Of the 36 associations 29 used a total of 35 warehouses in their operations. Storage space varied between 1 carload and 25 carloads per warehouse; the most common capacity was 2 to 6 carloads. The 7 associations which operated no warehouses distributed supplies direct from the car door. When storage was necessary for these car-

door associations, space was usually obtained for short periods in buildings owned by the county or in vacant business buildings.

At the time of the study, 1936, managers of 17 associations indicated that the facilities then in use were inadequate both for handling supplies and for marketing farm products. The remaining 19 considered their facilities sufficient for the volume of business handled. By the summer of 1937, however, 11 new warehouses with cold storage facilities had been constructed in different parts of the State (fig. 9). These buildings are designed primarily for use in marketing and supply services to farmers, and for curing and storing meats and other farm products. They are leased by the Mississippi State College of Agriculture to the Mississippi Federated Cooperatives (A. A. L.), which in turn leases them to the county cooperatives.

In general the county associations have operated with limited warehouse space and with little equipment. Because of the seasonal character of their operations, large warehouses are not needed except during the spring and fall months. Twelve associations operated warehouses only during this period; 17 kept theirs open the year around.

None of the county associations operated branches at the time the data for this study were gathered, and the managers generally agreed that the added expense of such operations would not be justified by the volume of business that might be obtained. Furthermore, more complete lines of supplies could be handled through a single warehouse located at a central point.



FIGURE 9.—WAREHOUSE AND COLD STORAGE PLANT BRANDON, MISS., LEASED BY THE RANKIN COUNTY COOPERATIVE (A. A. L.)

Eleven warehouses of this type have recently been constructed in the State. They are owned by the Mississippi State College of Agriculture and are leased to the cooperatives.

Operating Methods and Problems

Purchase and Distribution of Supplies

Most of the supplies purchased by county cooperatives were obtained through Mississippi Federated Cooperatives (A. A. L.). The member associations, unless authorized in writing to the contrary, were required, under the provisions of the membership agreement, to procure all their supplies through the State association, except those which were not handled by that organization. This provision of the agreement is not always followed by county associations. Purchasing of supplies by the county associations was handled by their managers or county agricultural agents. Orders were made on forms provided by the State association, or by telephone or telegraph, to the central office at Jackson.

Fertilizer was purchased in carload lots by all county associations. Seed was purchased by most associations in carload lots, and feed and miscellaneous supplies were purchased mostly in less-than-carload quantities.

Cash and quantity discounts were available to county cooperatives on fertilizer purchased but not on other supplies. The cash discount on fertilizer was 1 percent if shipments were paid for at the time of delivery; the quantity discount was 1 percent if total purchases during the season amounted to or exceeded 200 tons.

County associations generally ordered their estimated seasonal needs for fertilizer and seed in advance of the season. A few did not follow this practice because of the uncertainty of demand of their members. Under this arrangement they could buy the quantities ordered at prices based on the contracts which the State association had with manufacturers and other sources of supply. Additional quantities could be purchased, but the prices might differ from those of contracted supplies.

Supplies were not tested as to quality by the county cooperatives. An arrangement had been made whereby county associations might send samples of supplies for analysis through Mississippi Federated Cooperatives (A. A. L.) to the laboratories at the Mississippi State College of Agriculture. It was the opinion of some local managers that insufficient care was exercised by the county associations in determining the actual quality of supplies bought from competitive sources, as compared with the quality of supplies obtainable through Mississippi Federated Cooperatives (A. A. L.).

County cooperatives sell mainly to farmers at retail. Very few sales are made to others than farmers. On fertilizer, seed, and feed, the associations had a uniform price policy which was recommended

by the State association. The prices established for the different supplies were set so as to cover the cost of the supplies delivered to the associations and the costs of handling and selling. On seed and feed, prices as a rule were sufficient to cover costs and expenses, but on fertilizer, competition was so keen in some localities that prices were established somewhat independently of cost-plus-handling costs. This explains in part the low gross margin obtained on fertilizer. (See p. 41.)

Sales promotion has been largely confined to extending the volume of cooperative purchasing of the main supplies, such as fertilizer, seed, and feed. Some form of sales promotion was carried on by 24 county associations chiefly by newspaper advertising and circular letters, and by personal visits by managers or county agents. All sales promotion expenses were borne by the local associations.

Delivery service was provided to a limited extent by the county cooperatives. Five associations delivered fertilizer by commercial trucks, but the customer paid for this service either in the price of the fertilizer or as a special charge. One association charged 50 cents per ton for delivery of fertilizer up to 15 miles and \$1 per ton for over 15 miles. Another made a flat charge of 50 cents per ton regardless of distance. In a third association the manager performed the delivery service for 10 cents per hundred pounds.

Marketing of Miscellaneous Farm Products

Of the 24 associations 8 marketed miscellaneous farm products for their members. Most of their market outlets have been obtained through the State association and by direct contact with produce brokers in large markets. The usual marketing procedure in the counties is for farmers to deliver their products direct to railroad cars in accordance with a previously arranged agreement for specified quantities of designated grade. At the car the manager or county agent supervises checking of weights and grades, loading, and shipping. Upon receipt and acceptance by the buyer, payment is returned to the county association, and distribution of the proceeds is made to the participating farmers.

Cooperative marketing of miscellaneous farm products has been retarded by three principal factors. First, farmers have insisted upon cash payment for produce at time of delivery. In most of the counties this insistence has resulted in farmers selling to local merchants and brokers' agents. Second, farmers' products, in many instances, have failed to measure up to the grades or standards set by the wholesale trade. The small quantities of varied produce received from farmers are so different in quality and condition that complete shipments of satisfactory character are difficult to assemble.

It is generally recognized by managers of county cooperatives and by county agricultural agents that this condition can be remedied only by a process of improved agricultural production and standard grading. The Agricultural Extension Service of Mississippi has endeavored for a number of years to improve both agricultural production and grading of miscellaneous farm products. Additional emphasis placed by the cooperatives upon the need for more saleable products will help farmers to obtain more satisfactory marketing results.

The third factor which has retarded the development of cooperative marketing of miscellaneous farm products is the fact that, in areas where cooperatives are operating, merchants follow the practice of paying higher prices for farmers' products if taken in trade for merchandise than can be obtained through the cooperatives. This practice tends to reduce the volume and effectiveness of the cooperatives.

Credit Policy

According to the standard bylaws all supplies, machinery, or equipment purchased by an association for its members, in all instances where the association is in any way liable for the purchase money, shall be paid for in cash at or before delivery. Practically all associations, however, made sales on credit. Seventeen reported that their business was generally on a cash basis, but fourteen of these qualified their statements by saying that farmers with good financial ratings were allowed time in which to settle their accounts. Credit was extended mostly on feed, seed, and miscellaneous supplies. Fertilizer was sold almost entirely on a cash basis. Some of the associations restricted credit extensions in accordance with a credit list prepared by the manager. Other associations maintained such a credit list which was approved by the directors. Managers were not held liable for credit extensions that proved uncollectible unless such extensions were made in direct violation of rules of the directors and in large amounts. All associations that obtained supplies on credit from the Mississippi Federated Cooperatives (A. A. L.) were pledged to sell farm supplies for cash except on written authorization from the State association.

Estimates of credit business by the associations in the operating year 1935-36 averaged about 10 percent of sales. Many of the associations had extended considerable credit to Resettlement Administration¹⁰ clients, but these accounts were considered well secured by arrangement between the State association and the Resettlement Administration of Mississippi. In 24 associations with fairly complete financial data, total receivables as of June 30, 1936, were 7.7 percent of

¹⁰ Now the Farm Security Administration.

total net sales of farm supplies for that year. A large part of these accounts receivable consisted of the Resettlement Administration clients' accounts that would be paid by the close of the crop season in the fall of 1936. Losses from bad debts were estimated in almost all instances at less than 1 percent of sales.

Accounting Practices

The county associations are required under their bylaws and by the credit policy of the State association to install and keep a standard system of accounts, and to submit their books for auditing annually or more often if necessary to an auditor selected by the State association. In actual practice, however, many of the associations do not keep adequate records. During the year 1935-36, 24 of the 36 associations kept records with various degrees of completeness. The accounting systems used were in most cases introduced by the New Orleans Bank for Cooperatives during 1935, or by Mississippi Federated Cooperatives (A. A. L.) in 1936. However, only 15 of the 24 associations had kept their records in such form as would permit the preparation of satisfactory operating statements for a full year's business. The other 9 associations had records covering only part-year operations.

The bookkeeping systems are much alike in all 24 associations. Generally sales tickets are made out for each sale, showing the purchaser's name, the quantity and kind of supply purchased, the sale price, and the amount of the sale. These tickets, before being filed, are posted to a journal and a customers' ledger. Monthly totals from the journal are posted to the general ledger. Entries covering the purchase of supplies, the payment of expense, and various miscellaneous transactions are also made to the journal and later to the general ledger. In addition to these records a few associations keep stock records of quantities of supplies moving in and out of their warehouses.

Volume of Business

According to figures reported by the Extension Department of the Mississippi State College of Agriculture, \$757,126 of farm supplies were purchased cooperatively by farmers in the calendar year 1936, and \$543,652 of farm products other than cotton were marketed cooperatively. The savings to farmers on these cooperative operations were estimated at \$105,503.

For the 1935-36 season total sales value of farm supplies handled by 24 associations, from which records were obtained, amounted to \$328,998. Of this amount fertilizer represented 54.1 percent; seed,

28.6 percent; feed, 15.1 percent; and miscellaneous supplies, 2.2 percent.

Fertilizer sales, aggregating 7,454 tons for 23 associations, ranged from a minimum of 45 tons for one small association to about 1,800 tons for one of the large associations. Seed business for these 23 associations was estimated at about 2 million pounds, and feed sales for 12 associations approximated 688 tons. Most of the associations handled miscellaneous supplies such as compounds for seed inoculation, insecticides, and spraying equipment; but the amounts of such supplies were, as a rule, small.

The total value of miscellaneous farm products marketed, as reported by 8 of the 24 associations for the 1935-36 season, was \$58,842. Of this sum, farmers received \$55,527, or 94.4 percent, and the associations received the balance as commission for handling. Potatoes and cane syrup were the principal products marketed.

TABLE 9.—CONSOLIDATED OPERATING STATEMENT FOR 24 ASSOCIATIONS, 1935-36¹

Item	Amount	Percentage of sales
Sales of farm supplies.....	\$328, 998	100. 0
Cost of goods sold.....	309, 699	94. 1
Gross income on farm supplies.....	19, 299	5. 9
Sales of farm products marketed ²	58, 842	100. 0
Returns to farmers on products marketed.....	55, 527	94. 4
Gross income on farm products marketed.....	3, 315	5. 6
Sales of farm supplies and farm products.....	387, 840	100. 0
Cost of sales of farm supplies and farm products marketed.....	365, 226	94. 2
Gross income on sales of farm supplies and farm products.....	22, 614	5. 8
Operating expense.....	24, 238	6. 2
Net operating loss.....	1, 624	. 4
Other income.....	4, 038	1. 0
Other expense.....	1, 896	. 5
Net earnings.....	518	. 1

¹ The figures cover complete annual operations for only 15 of the 24 associations. The other 9 reported part-year operations only.

² 8 of the 24 associations marketed farm products.

Operating statements for 24 county cooperatives for the year ending June 30, 1936, are shown combined in table 9. Gross income from handling farm supplies averaged 5.9 percent of sales, and income from marketing farm products 5.6 percent of sales. Total gross income for the combined operations of the 24 associations amounted to \$22,614, or 5.8 percent of sales. Expenses totaled \$24,238 and averaged 6.2 percent of sales. When expenses were deducted from gross income, the result was an operating loss of \$1,624, or 0.4 percent of sales. After including income derived from other-than-operating sources and deducting expenses of a nonoperating nature, the net result of the operations by the 24 associations was changed from an operating loss of \$1,624 to a net gain of \$518, or 0.1 percent of sales.

Gross Margins by Commodities

The gross trading margin on fertilizer averaged 3.8 percent of sales for the 24 associations during the year ending June 30, 1936. As previously stated, this was an abnormal year for fertilizer because of severe competitive conditions. The usual retail trading margin on fertilizer is 7 or 8 percent of sales value. Gross margins on seed and feed averaged 8.4 percent and 7.5 percent of sales, respectively. Gross losses on the combined group of miscellaneous supplies averaged 2.3 percent of sales. Losses on miscellaneous supplies were mostly caused by disposing of inventories at sacrifice prices in order to avoid greater losses by deterioration in condition and appearance of the supplies.

Operating Expense

The combined operating expense for 23 associations that had adequate records for showing expense distribution was \$23,626. For this group, personnel expense made up 59 percent of all operating expenses. Because in most instances the managers of the associations served also as bookkeepers, the item of office salaries was very low, averaging only 1.5 percent of total expense. Salaries and wages made up the following percentages of total expense:

	<i>Percent</i>
Managers' salaries and commissions.....	37.4
Warehouse salaries.....	14.4
Office salaries.....	1.5
Other salaries and wages.....	5.6
Directors' per diem fees and expenses.....	.1
	<hr/>
Total salaries and wages.....	59.0

Real estate was the second important item of expense, with an average for the 23 associations of 13.2 percent of all expense. The

main items in real-estate expense and their percentages of total expense were as follows:

	<i>Percent</i>
Rent.....	11.1
Taxes.....	1.2
Insurance on buildings.....	.8
Repairs to buildings.....	.1
	<hr/>
Total real-estate expense.....	13.2

The remaining items accounted for the following percentages of the total expense:

	<i>Percent</i>
Managers' travel.....	0.1
Power, light, and heat.....	2.0
Telephone and telegraph.....	3.6
Postage and office supplies.....	2.8
Advertising.....	1.3
Insurance on equipment.....	3.1
Hauling.....	4.9
Warehouse supplies.....	.8
Auditing.....	.1
Legal expense.....	.1
Depreciation on equipment.....	.3
Bad-debt expense.....	3.0
Miscellaneous.....	5.7
	<hr/>
Total.....	27.8

Net Operating Income or Loss

Combined total expense for the 24 associations shown in table 9 exceeded total gross income by \$1,624, resulting in an average operating loss of 0.4 cent per dollar of sales. Of the 24 associations 14 had net operating losses totaling \$3,932. The remaining 10 had aggregate net operating gains of \$2,308.

Gross operating income, expense, and net operating income or loss per dollar of sales for the 24 associations are shown in table 10. Ten associations had net operating incomes ranging from less than 0.1 percent to 5.3 percent of sales. The other 14 associations showed net operating losses ranging from approximately 0 to 6.4 percent of sales. Nine of the 24 associations (designated by footnote 2 in the table) had income of a nonoperating character, which is not included in the table. This income was derived from cotton-classing services performed by the managers. Although the costs of rendering this cotton-classing service are included in the expense shown, the income, as stated above, was not included in gross operating income. Thus the operations of the 9 associations are not strictly comparable with those of associations which did not perform a cotton-classing service.

In general, the expense per dollar of sales for the 14 associations which showed operating losses averaged considerably higher than for the 10 associations which showed operating gains. For 9 of the 10 associations showing a gain the expense per dollar of sales was less than 6.2 cents, the average for the 24 associations. Six of the 14 associations which operated at a loss had higher-than-average expense rates.

TABLE 10.—OPERATING RESULTS PER DOLLAR OF SALES FOR 24 ASSOCIATIONS FOR THE YEAR ENDING JUNE 30, 1936

Gross operating income or loss ¹	Expense	Net operating income or loss ¹
<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
5.7	0.4	5.3
9.8	7.6	2.2
3.4	² 1.5	1.9
7.5	² 5.6	1.9
6.4	4.8	1.6
6.3	² 4.9	1.4
2.7	1.7	1.0
6.5	6.0	.5
5.2	² 5.1	.1
5.9	5.9	.0
3.8	3.8	.0
3.6	² 3.7	-.1
11.5	11.8	-.3
8.6	² 8.9	-.3
3.7	4.2	-.5
2.2	2.7	-.5
7.3	8.6	-1.3
9.6	11.1	-1.5
3.7	5.3	-1.6
1.9	4.8	-2.9
11.2	² 14.4	-3.2
10.9	² 14.3	-3.4
1.5	² 5.2	-3.7
-1.1	5.3	-6.4

¹ A minus sign indicates a loss.

² Includes salaries paid to managers, part of whose time was devoted to handling cotton on a commission basis. Commissions received by these associations for handling cotton are not included in this table.

To afford a comparison of their operations, the 24 associations were divided into three groups as follows: (1) 14 warehouse associations which purchased only farm supplies; (2) 8 warehouse associations which purchased farm supplies and marketed farm products; and (3) 2 car-door associations which operated no warehouses in their supply

purchasing operations and did no marketing. Operating data for each of these groups are shown in table 11.

TABLE 11.—INCOME AND EXPENSE PER DOLLAR OF SALES FOR ASSOCIATIONS BY TYPE OF OPERATION, FOR THE YEAR ENDING JUNE 30, 1936

WAREHOUSE ASSOCIATIONS HANDLING FARM SUPPLIES ONLY

Gross operating income or loss ¹	Expense	Net operating income or loss ¹
<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
7.5	² 5.6	1.9
6.4	4.8	1.6
2.7	1.7	1.0
5.2	² 5.1	.1
5.9	5.9	0
3.6	² 3.7	-.1
8.6	² 8.9	-.3
2.2	2.7	-.5
7.3	8.6	-1.3
9.6	11.1	-1.5
3.7	5.3	-1.6
11.2	² 14.4	-3.2
10.9	² 14.3	-3.4
1.5	² 5.2	-3.7

WAREHOUSE ASSOCIATIONS HANDLING FARM SUPPLIES AND MARKETING FARM PRODUCTS

9.8	7.6	2.2
3.4	² 1.5	1.9
6.3	² 4.9	1.4
6.5	6.0	.5
11.5	11.8	-.3
3.7	4.2	-.5
1.9	4.8	-2.9
-1.1	5.3	-6.4

ASSOCIATIONS HANDLING FARM SUPPLIES WITHOUT WAREHOUSES

5.7	0.4	5.3
3.8	3.8	0

¹ A minus sign indicates a loss.

² Includes salaries paid to managers, part of whose time was devoted to classing and receiving cotton on a commission basis. The income of these associations from handling cotton is not included in the table.

Gross or net operating results do not appear to be consistently better in any one of these groups. Nine of the 14 associations that

used warehouses but did no marketing had net operating losses. Four of the eight warehouse associations which handled farm supplies and marketed farm products also had operating losses. Of the two associations which operated on a car-door basis, one operated at a gain and the other at a very small loss. The highest rate of net operating income received by any of the 24 associations was 5.3 cents per dollar of sales received by one of these car-door associations.

*Relation of Volume of Business
to Net Operating Income or Loss*

In order to determine what effect the volume of business may have had upon operating results of the county associations, five associations which realized the highest rates of net operating income and five which had the highest rates of net operating loss in 1935-36 were compared (table 12). It may be seen from table 12 that the volume of business done by these two groups of associations varied only slightly. It appears further that the differences in volume of farm supply or

TABLE 12.—COMPARISON OF SALES VOLUME WITH EXPENSES AND NET OPERATING INCOME OR LOSS FOR 10 COUNTY COOPERATIVES, FOR THE YEAR ENDING JUNE 30, 1936

FIVE ASSOCIATIONS WITH HIGHEST RATES OF NET OPERATING INCOME

Supply sales	Marketing sales	Expense per dollar of sales	Net operating income or loss per dollar of sales ¹
<i>Dollars</i>	<i>Dollars</i>	<i>Cents</i>	<i>Cents</i>
16, 780	-----	0. 4	5. 3
12, 740	7, 254	7. 6	2. 2
3, 505	1, 486	² 1. 5	1. 9
16, 528	-----	² 5. 6	1. 9
22, 796	-----	4. 8	1. 6

FIVE ASSOCIATIONS WITH LOWEST RATES OF NET OPERATING INCOME

15, 474	12, 150	4. 8	-2. 9
22, 194	-----	² 14. 4	-3. 2
11, 241	-----	² 14. 3	-3. 4
19, 553	-----	² 5. 2	-3. 7
6, 677	556	5. 3	-6. 4

¹ A minus sign indicates a loss.

² Includes salaries paid to managers, part of whose time was devoted to classing and recalving cotton. The commissions received by these associations for handling cotton are not included in the net operating income since they are of a nonoperating character. Some of the associations which showed losses in their supply purchasing operations showed net gains after including the income from handling cotton.

marketing sales had no important effect upon the operating results. For example, the association that had the highest rate of net operating income had a smaller volume of business than did three of the associations that had the lowest rates of net operating income. Expense per dollar of sales in both groups of associations showed a similar tendency to vary independently of business volume.

Other Income and Expense

During the year ending June 30, 1936, income derived from other-than-operating sources totaled \$4,038 for the 24 county associations, and consisted of \$2,657 of commissions received from cotton-classing services, and \$1,381 derived from other sources.

TABLE 13.—NET OPERATING INCOME ADJUSTED FOR OTHER INCOME AND OTHER EXPENSE FOR 24 COUNTY ASSOCIATIONS FOR THE YEAR ENDING JUNE 30, 1936

Net operating income or loss ¹	Other income	Other expense	Net income or loss ¹
\$899		\$154	\$745
426	\$37	128	335
306	² 60	77	289
179	199	83	295
169	² 46		215
127			127
97	² 129	39	187
95		29	66
5	² 218	99	124
4	34	143	-105
-7		136	-143
-14	² 334	122	198
-34	² 34		
-48	782	183	551
-48		27	-75
-108			-108
-111			-111
-256	1	82	-337
-270		149	-419
-385	² 1,041	52	604
-461		98	-559
-695	² 1,097	174	228
-708	² 26	107	-789
-786		14	-800
-1,624	4,038	1,896	518

¹ A minus sign indicates a loss.

² Most of the "other income" was realized from commissions received for handling cotton for the Mississippi Cooperative Cotton Association (A. A. L.).

Of the 24 county associations, 19 reported other-than-operating expense totaling \$1,896, consisting of interest paid and credit insurance expense. Interest paid amounted to \$1,519 for 18 associations, and credit insurance \$377 for 7 associations.

The inclusion of other income and the deduction of other-than-operating expense increased the earnings of the 24 associations by \$2,142 and changed their combined operations for the year from an aggregate net operating loss of \$1,624 to an aggregate net gain of \$518 (table 13). After giving consideration to other income and other expense, 13 of the 24 associations showed net gains for the year; 1 operated with no gain or loss, and 10 showed net losses. The 13 associations which showed net gains had an aggregate gain of \$3,964, or an average of \$305 per association. The 10 associations which showed net losses had an aggregate loss of \$3,446, or \$345 per association.

Of the nine county associations which classed and received cotton on a commission basis, seven realized net gains for the year. Five of the nine associations showed operating losses before their income from handling cotton was included.

Distribution of Net Income

Whether or not patronage dividends shall be paid on any year's operations is left entirely to the boards of directors of the associations. As a rule, the net earnings of the county associations have been too small to justify the payment of dividends. In practically all instances, the associations have retained their earnings in surplus, and during loss years have used them to balance the losses.

Only 7 of the 36 associations included in this study had declared or paid patronage dividends during the last few years. Information as to the amounts, rates, and form of payment of these dividends was for the most part lacking.

Financial Condition

Assets

The financial condition of 32 of the 36 associations, as shown by their combined balance sheets for June 30, 1936, is summarized in table 14. Total assets for these associations amounted to \$85,935. Of this total, \$63,366, or 73.7 percent, represented current assets. Fixed assets amounted to \$14,523, or 16.9 percent of total assets. Fixed assets consisted principally of buildings; but 56 percent of the combined value of buildings belonged to one association. Stock in the State association and the New Orleans Bank for Cooperatives, and other miscellaneous assets, totaled \$8,046, or 9.4 percent of total assets. Many of the associations did not list stock in the State association among their assets.

TABLE 14.—CONSOLIDATED BALANCE SHEET FOR 32 COUNTY COOPERATIVE ASSOCIATIONS IN MISSISSIPPI, JUNE 30, 1936¹

	Dollars	Percent
ASSETS		
Current assets:		
Cash.....	14, 540	16. 9
Notes receivable.....	4, 474	5. 2
Accounts receivable.....	23, 533	27. 4
Inventories.....	20, 513	23. 8
Other current assets.....	306	. 4
Total current assets.....	63, 366	73. 7
Fixed assets:		
Buildings ²	11, 005	12. 8
Machinery and equipment.....	1, 891	2. 2
Office equipment.....	1, 627	1. 9
Total fixed assets.....	14, 523	16. 9
Other assets:		
Stock in bank for cooperatives.....	1, 700	2. 0
Stock in Mississippi Federated Cooperatives (A. A. L.).....	3, 185	3. 7
Other.....	3, 161	3. 7
Total other assets.....	8, 046	9. 4
Total assets.....	85, 935	100. 0
LIABILITIES AND NET WORTH		
Current liabilities:		
Notes payable.....	20, 271	23. 6
Accounts payable.....	25, 204	29. 3
Other current liabilities.....	5, 839	6. 8
Total current liabilities.....	51, 314	59. 7
Fixed liabilities.....	3, 525	4. 1
Deferred liabilities.....	457	. 5
Total liabilities.....	55, 296	64. 3
Net worth:		
Capital stock ³	9, 900	11. 5
Surplus and reserves.....	20, 739	24. 2
Total net worth.....	30, 639	35. 7
Total liabilities and net worth.....	85, 935	100. 0

¹ Balance sheets for 4 of the 36 active county associations were either not available or incomplete.

² Original cost less depreciation on warehouses owned by associations.

³ Capital stock was outstanding in only 1 association.

Total assets of the individual associations ranged between \$135 and \$11,818. About half of the associations had total assets ranging between \$2,000 and \$4,000. The extent of total assets held by individual associations on June 30, 1936, is indicated by the following:

Total assets:	Number of associations
Less than \$1,000.....	9
\$1,000 to \$1,999.....	4
\$2,000 to \$2,999.....	8
\$3,000 to \$3,999.....	7
\$4,000 to \$4,999.....	1
\$5,000 and over.....	3

A striking characteristic of the condition of most of these associations was the high ratio of current assets to total assets. In 22 of the 32 associations, current assets represented 80 percent or more of the total assets. The proportions for the 32 associations are shown below:

Percentage of current assets to total assets:	Number of associations
Less than 30.....	1
30 to 39.9.....	1
40 to 49.9.....	0
50 to 59.9.....	3
60 to 69.9.....	3
70 to 79.9.....	2
80 to 89.9.....	8
90 to 99.9.....	5
100.....	9

The ratio of current assets to current liabilities for the 32 associations on June 30, 1936, averaged 1.2 to 1, indicating for the group a weak liquid condition and little working capital. Current assets of 22 associations were in excess of current liabilities, and 10 associations had current liabilities greater than current assets.

Liabilities and Net Worth

The combined liabilities of the 32 county associations on June 30, 1936, amounted to \$55,296, or 64.3 percent of total liabilities and net worth. Of this amount \$51,314 was current liabilities; \$3,525 fixed liabilities; and \$457 deferred liabilities. Only one association had fixed liabilities, and only three had deferred liabilities. The percentages of current liabilities to total liabilities and net worth were as follows:

Percentage of current liabilities to total liabilities and net worth:	Number of associations
Less than 25.....	7
25 to 49.9.....	4
50 to 74.9.....	5
75 to 99.9.....	11
100.....	5

The total net worth of the 32 associations was \$30,639, or 35.7 per cent of total assets. Except for one association which had capital stock totaling \$9,900, the net worth of the county associations was the amount which had been retained from earnings and placed in surplus and reserves. Surplus and reserves for the individual associations ranged from \$5,924 to a deficit of \$2,664, and totaled \$20,739 for the 32 associations. The amount of surplus and reserves, or deficit, for the different associations is shown in the following summarization:

Surplus and reserves:	<i>Number of associations</i>
\$2,500 or more.....	4
\$2,000 to \$2,499.....	1
\$1,500 to \$1,999.....	0
\$1,000 to \$1,499.....	4
\$500 to \$999.....	2
\$0 to \$499.....	15
Deficit:	
Less than \$499.....	2
\$500 to \$999.....	3
\$1,000 or more.....	1

There were 26 associations with surplus and reserves, and 6 with deficits. Of the 26 associations, 15 had surplus and reserves under \$500 each. Only 4 associations had surplus and reserves in excess of \$2,500 each.

Conclusions and Recommendations

THE FINDINGS of this study indicate that there are certain weaknesses in the present cooperative system in Mississippi, as represented by Mississippi Federated Cooperatives (A. A. L.) and its member associations, especially the member associations. It is believed, however, that many of these weaknesses can be overcome, thereby increasing the efficiency and usefulness of both the State association and the county associations, and strengthening the relationship between them. The present system should provide a satisfactory basis for the development of a stronger cooperative purchasing movement.

Closer relationship between the State and the county associations.— A closer relationship should exist between the State association and the county cooperatives. In the first place, the county cooperatives should adhere more closely to the membership agreement to purchase all supplies from the State organization. At present, many of them purchase some supplies from other sources. As a result, the volume of business of the State association is proportionately less and its operating efficiency decreased.

Furthermore, there should be a more representative selection of

directors for the State association. At present, one director is chosen from each of the three Supreme Court districts in the State, and four are elected at large. A better apportionment could be obtained if the State were divided into a number of districts with one director elected from each.

Increasing the number of community representatives.—In order to reach farmers in communities not served by county cooperatives, the State association might select farmer-representatives in those areas to solicit orders from farmers and to supervise car-door distribution of supplies on a commission basis. This type of service would enable producer-members of the State association to obtain the grade of supplies handled by the cooperatives, as well as the benefits and savings resulting from cooperative purchasing. Under this arrangement, supplies should be sold at competitive prices and the savings realized returned to the producer-members on a patronage basis. Through the medium of community representatives a greater portion of the areas not now served would be covered and the volume of business of the State association increased.

More branch warehouses.—In view of the fact that the State association has demonstrated at Tupelo and Laurel the value of branch warehouses to serve as wholesale distributing centers for county associations, it would appear desirable to establish other such warehouses at strategic points in the State where there is need for them. If such warehouses should also serve as retail distributing points for farmers in the immediate vicinity, it would tend to reduce the overhead at the branches and at the same time permit the handling of more complete lines of supplies.

Extension of cotton-receiving service.—In view of the satisfactory showing made by the nine associations which combined supply-purchasing and cotton-receiving service (p. 47), it is recommended that an attempt be made to increase the number of county purchasing associations rendering such services. Combining cooperative purchasing with cotton-receiving services should be beneficial to both the county purchasing cooperatives and the State cotton association. More services would be available through the county associations, and they would tend to become more important as cooperative centers for farmers.

Broader lines of nonseasonal supplies.—The supplies handled now by the cooperatives in Mississippi are highly seasonal, and the associations are often operated at losses during the off-season months. In order to prevent or reduce these losses, it is recommended that the associations consider the possibility of handling also other farm supplies of a less seasonal nature. The selection of the added lines should be determined after a canvass of the county associations by the State association.

Greater support of Gulf States Fertilizer Cooperative (A. A. L.).—During the year ending June 30, 1936, the State association bought only a small percentage of its fertilizer purchases from the Gulf States Fertilizer Cooperative (A. A. L.), in which it is a stockholder. Inasmuch as this plant is located favorably for receiving materials and for distribution of supplies, at least to the southern half of Mississippi, greater support should be given this association, for it is only through increased business that it can hope to render increasingly beneficial services.

Improvement of members' support in county associations.—Much of the success of purchasing and marketing cooperatives in Mississippi, as elsewhere, depends upon the loyal support of farmers. In 1936 membership in the 36 associations represented only about 16 percent of the farmers in the counties served. It is evident that the county associations need to increase the number of their member-patrons and also to instill in them a better understanding of the benefits to be derived from cooperative effort. It should be made clear to farmers that the benefits of cooperative activity increase in proportion to their increased participation therein.

Some progress in cooperative educational work among farmers has already been made by the county associations. The burden of this work has rested upon the managers of the associations, the county agricultural agents, the State extension department, vocational teachers, and the State purchasing association. In Mississippi, farmers have not gained as much from these educational efforts as might have been expected, partially because of the limitations on cooperative activity imposed by the pressure of commercial agencies which supply production credit. As the new county farm bureau units, organized in 1936, become stronger, progress should be made in advancing the cooperative program for farmers. Managers and members of county cooperatives as well as the county agents should lead in this work.

Development of competent managers for county associations.—A study of the management of the county associations indicates that some of them have had little experience in cooperative work. A disinterested or incompetent manager will prevent a cooperative from operating with that degree of efficiency necessary to maintain interest on the part of producer members and to acquire the volume of business necessary for successful operation. Unsatisfactory management has had a detrimental effect upon at least half of the associations.

In the selection of a manager, the primary qualifications to be considered are: (1) Understanding of farmers' cooperation; (2) knowledge of agricultural problems and methods; (3) initiative, energy, and ability to develop and maintain an efficient organization; and (4) personal integrity.

If any association has not reached the point where its volume of

business will justify the hiring of a capable manager, it should operate on a car-door basis, with one of its members or the county agent supervising, until such time as member patronage will support a more permanent arrangement.

A cooperative manager need not be a resident of the county he serves. In fact, in some areas, out-of-county men make better managers because they are not involved in local affairs and are free to operate in a strictly businesslike way.

The development of efficient management may be furthered by suggestions from and training by the State association. The State association, with its wider knowledge of management, operating, and credit methods, should have the general authority to select and retain or discharge managers of county associations and to direct their operations where such direction is necessary to improve the operating efficiency of the association. It would be desirable, under this arrangement, however, for the directors of the county associations to have authority to approve or disapprove the appointment of managers selected by the State association and to act in an advisory capacity in matters pertaining to the retention or discharge of these managers, and in matters pertaining to the type and amount of supplies to be handled. This proposed type of supervision does not differ materially from the methods now followed in county associations which are financed by the State organization, except that it would give the State association the right to select rather than merely approve the selection of managers. It also would give the State association more administrative control over the managers of the county associations.

In order to have an adequate number of trained managers available, the State association should render a training service for managers at its branch warehouses. This service would consist of instruction in both wholesale and retail operating methods, storing and displaying supplies, proper methods of acquiring patronage, and proper accounting procedure. Such training is already being carried on to a limited extent at the Tupelo and Laurel branches.

Improved operating practices.—Farmers should adhere more closely to the established procedure by placing advance orders for their supplies. More orders placed in advance of the season would enable both the county and State associations to meet the demand for supplies more adequately and to give quicker delivery. Effective advance ordering by farmer-patrons will depend largely upon the work of the local associations.

Where the volume of supplies ordered by farmers is limited to a few carloads of fertilizer and seed each season, it is recommended that these be handled on a car-door delivery basis and that no warehouses be used. Seven associations in 1936 conducted their operations in this manner. When the volume of business of the car-door associations

reaches sizeable proportions, the use of warehouses, either on a part-year or a year-round basis, should be undertaken.

Because members of the county associations have been unwilling or unable to supply operating capital for their associations it must be obtained from local sources, from the State association, or from the New Orleans Bank for Cooperatives. Very few of the associations are strong enough financially to borrow from local sources, or to meet the loan requirements of the New Orleans Bank for Cooperatives. This leaves the financing of the majority of the county associations to the State association. Under the present plan, the State association purchases supplies for the county associations with its own funds and funds borrowed from the New Orleans Bank for Cooperatives and sells the supplies to the county associations on strict credit terms. This plan appears to be working satisfactorily and is recommended for continued use. It is suggested, however, that the State association exercise extreme care in seeing that the county associations are properly managed and that the provisions of the financing agreement between the State association and the county associations are strictly adhered to.

Credit extension by the county associations cannot be avoided in all cases. The selection of risks should be made carefully by the boards of directors of the local associations and the managers of those associations, with the final responsibility resting on the manager. Under this plan, the manager would be responsible to the State association. It was the suggestion of one association that a slight price differential should be added to credit sales in order to reimburse the association for the capital cost and risk of loss, and also to protect cash patrons from having to help pay for credit to those not paying cash for their supplies.

The marketing of miscellaneous farm products by county associations has shown valuable results in a few counties where aggressive marketing services have been developed. The majority of managers of county associations, however, were of the opinion that success in this field will depend largely upon the progress made by farmers in improvement of quality and in grading their products for market. Better quality and grades will permit marketing organizations to sell the supplies to greater advantage. As a means of effecting this improvement for such farm products as syrup and potatoes, it is suggested that consideration be given to the establishment of cooperative grading stations at strategic points in the principal producing areas of the State and that these stations be managed by competent men experienced in packing and grading the products to be marketed.

In order to obtain full advantage of their collective bargaining power, the county associations should use the State association more extensively as a sales agency. In addition, they should develop all possible local outlets for farm products. In any event, success in the

cooperative marketing of miscellaneous farm products will depend largely upon the alertness and aggressiveness of local managers.

Improvement of bookkeeping practices is needed in many of the county associations. Because of the small volume of business and the resulting small earnings, a large number of associations have limited their bookkeeping expense to a minimum, with the result that the records are inadequate. Associations which receive financial assistance from the State association are required to keep better systems of books. County associations which do not have adequate record systems should avail themselves of the assistance offered along this line by the auditing department of the State association.

All of these suggested improvements can be made on the basis of the existing cooperative structure in the State. A pattern for cooperative development has been established. The main emphasis should now be placed on improving its efficiency.

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	579.04	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	-1,036.20	-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**
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- Cooperative Organization of Iowa Farmers' Creameries**
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- Western Cattle and Sheep Areas**
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- 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*

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