

**Cooperative Purchasing
of FARM SUPPLIES
in GEORGIA**

by Gerald M. Francis

Circular C-120

June 1940

**Farm Credit Administration
United States Department of Agriculture
Washington, D. C.**

formal groups of farmers which assembled and pooled small orders for seed. Sales data for these associations were recorded when found available.

Farm-Supply Requirements of Georgia Agriculture

Each year Georgia farmers pay large sums for their production supplies. These supplies have consisted mainly of fertilizer, but in recent years have included large quantities of feed, seed, packing materials, and farm machinery and equipment. Because farmers customarily need extensive retail credit and have been subject to the long-established credit and pricing methods of supply merchants, costs of farm supplies have been unusually high in the State.

Fertilizer has been required in large quantities to produce cotton, which is the main cash crop. Since 1925, the State's fertilizer purchases have usually ranged between 700,000 and 800,000 tons, but in 1930 the total rose to 929,000 tons and in 1932 it fell to 357,000 tons. Figure 1 shows the relative volume of fertilizer distributed among the counties of the State in 1929 when the total was 869,000 tons, and in 1938 when it was 768,000 tons. The average cost of fertilizer per reporting farm, according to census figures, was \$126 in 1929. Because of a decline in fertilizer prices, expenditures per farm in 1938 were considerably smaller.

While fertilizer is still the most important production supply purchased by Georgia farmers, changes in agricultural production have led to increased purchases of feed and seed. In the last 10 years there has been a shift from cotton cultivation with the result that cotton acreage decreased from 3,406,000 acres in 1929 to 2,008,000 acres in 1938, or 41 percent. In the same period, 14 other principal field crops—corn, hay, peanuts, velvet beans, cowpeas, oats, wheat, sweetpotatoes, soybeans, tobacco, sugarcane, rye, Irish potatoes, and sorghumcane—increased from 5,234,000 acres to 11,008,000 acres, or 110 percent.

TABLE 1.—VOLUME OF SEED AND ACREAGES SOWN IN GEORGIA IN 1938

Kind of seed	Sown for soil improvement	Sown for forage	Total acreage sown in 1938
	<i>Pounds</i>	<i>Pounds</i>	<i>Acres</i>
Austrian winter peas.....	5, 962, 150	299, 100	218, 678
Crimson clover.....	2, 583, 250	254, 100	77, 286
Hairy vetch.....	768, 915	464, 590	84, 905
All other.....	(¹)	(¹)	180, 722
Total.....	9, 314, 315	1, 017, 790	561, 591

¹ Not available.

Source of data: Alexander, E. D. Plantings of Soil Improvement and Forage Crops in Georgia for 1938 Georgia Agr. Ext. Service, Mimeo. (1939).

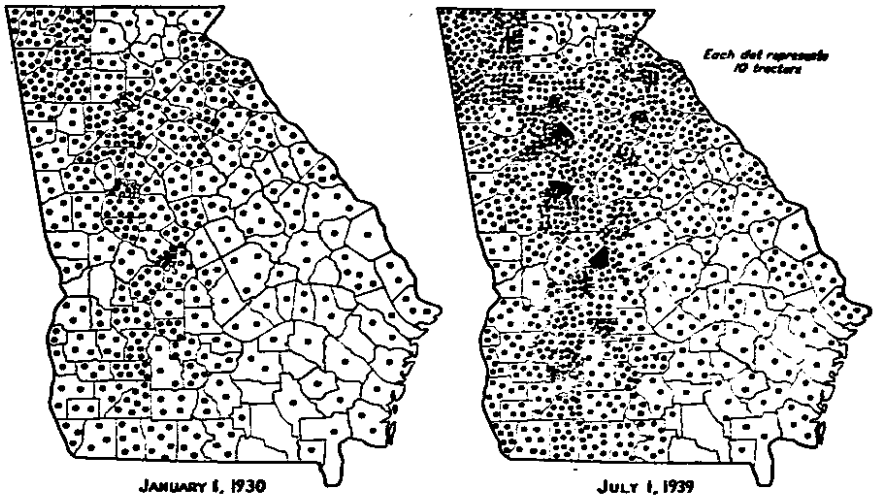


FIGURE 2.—NUMBER OF TRACTORS ON GEORGIA FARMS ON JANUARY 1, 1930, AND JULY 1, 1939.

The number of tractors was doubled between 1930 and 1938 but the areas with greatest concentration were substantially the same in the 2 years.

by larger operators probably were more than \$200. When it is considered that the average cash farm income in the State was \$606 per farm in 1938, the importance to farmers of receiving maximum benefits from each dollar of their supply expenditures becomes evident.

TABLE 2.—POWER EQUIPMENT USED ON GEORGIA FARMS, 1930 AND 1938

Type of power equipment	1930	1938
Automobiles.....	88, 479	97, 012
Trucks.....	15, 967	17, 510
Tractors.....	5, 870	11, 634

¹ Tractors were estimated to number 12,637 on Apr. 1, 1939. *Farm Implement News*, Apr. 6, 1939, p. 22.

Source of data: Figures for 1930 are from the United States Census of Agriculture; estimates of automobiles and trucks for 1938 are from *Automobile Facts and Figures*, 1939, p. 21; the estimate for tractors for 1938 is from *Farm Implement News*, Apr. 7, 1938, p. 20.

Fertilizer, which accounts for the largest single outlay, cost farmers approximately 21.5 million dollars in 1938. Seed cost more than a million dollars.¹ Expenditures for feed amounted to probably 12 million dollars in this year.² A considerable group of other supplies purchased included sprayers and spray materials, packing supplies,

¹ This figure is a low estimate based upon the volume of soil-building seed planted in 1938, as reported by the Georgia Agricultural Extension Service, with some further allowance for the value of cottonseed and other crop seed.

² This estimate is based upon the 1930 census of agriculture report of feed purchases, with additional allowance for increases in dairying and livestock since 1930.

farm implements, wagons, tractors, petroleum products, fence, roofing, and paint.

Trend of Cooperative Purchasing

Cooperative purchasing of farm supplies by Georgia farmers has had a slow growth, compared with its expansion in some other States. For some years before and immediately after 1900 considerable success was attained by a number of farmers' supply cooperatives under the sponsorship of the Georgia Farmers Union. This movement had dwindled to insignificance before 1920. From 1920 to 1930, relatively little advance was made. According to the census of agriculture, 1,724 Georgia farmers in 1929 purchased cooperatively, supplies with an aggregate retail value of \$399,988 and an average value per reporting farm of \$232. Since 1929, the latest year for which census reports are available on cooperative purchasing, some growth has taken place both in number of farms participating and in total volume of cooperative supply business. Data assembled for the year ending June 30, 1939, from most of the farmers' cooperatives in Georgia show that approximately 6,000 farmers purchased supplies with a total value of more than \$800,000 and an average value of \$133 per farm. When it is considered that average prices paid by farmers for supplies were about 20 percent lower in 1939 than in 1929,³ it appears that the annual volume of supplies bought cooperatively has increased by more than 100 percent during the 10-year period.

As a result of increasing need for supplies other than fertilizer, approximately 40 percent of the cooperative purchases in 1938-39 were for seed, feed, spray materials, and packing supplies. In spite of these increases, less than 2 percent of all the State's farm-supply purchases in 1938-39 were made through cooperative associations.

Factors That Retard Cooperative Purchasing

Certain basic conditions have retarded the growth of cooperative purchasing not only in Georgia, but generally throughout the Southern States.⁴ Agricultural leaders are well aware of these conditions and since 1930 have made progress in overcoming them, but they still involve some real obstacles to any program for expansion of cooperative purchasing in Georgia.

One important obstacle to cooperation among farmers is their traditional individualism. This characteristic, has handicapped efforts to obtain the substantial support that success in cooperative purchasing ventures requires.

³ See U. S. Dept. Aggr. *Income Parity for Agriculture*, part III, Prices Paid by Farmers for Commodities and Services, May 1939, sec. 5, pp. 47, 52, and 54.

⁴ For a fuller discussion see Knapp, J. G., *The Future of Cooperative Purchasing of Farm Supplies in the South*. In *Southern Economic Journal*, October 1937, pp. 154-164.

Other recognized handicaps are insufficient faith in the success of the ventures and insufficient knowledge of the benefits to be derived from sound cooperative enterprises. Failure of Georgia cooperatives in earlier years, with the accompanying loss of members' investments, has impressed many farmers far more than have the successes and benefits derived from later cooperative undertakings. This typical lack of confidence demonstrates the need for educational work to inform growers regarding the principles and advantages of agricultural cooperation. Without well-financed cooperatives capable of conducting aggressive educational programs and with no strong general organizations of farmers, education in cooperation has seriously lagged.

One of the most important barriers to recent growth of cooperative purchasing has been the inability of many farmers to contribute capital to the enterprise. This handicap is evident from the fact that the cash farm income of farmers in the State in 1938, including benefit payments, averaged \$606, while the average cash farm income for the Nation was \$1,120 per farm. Figures for earlier years show similar disparity.⁵

Outstanding leadership also has been lacking in the movement to establish agricultural cooperatives here. Attention has been focused on the immediate benefits to be obtained from cooperation and not on its more permanent advantages. Training of leaders in the purposes and methods of cooperation must be carried on over an extended period of time to overcome the influence of previous unsuccessful undertakings and to restimulate the movement on a sound practical basis.

Another condition that has long discouraged cooperative buying of farm supplies in Georgia is the cash-crop system of farming. Under this system, farmers obtain the bulk of their annual income in a lump sum at the end of the cotton season. Because they lack cash during the producing season, farmers have been largely compelled to buy their fertilizer and other supplies on a credit basis throughout the year and to pay the bill after the crop was sold. Agricultural leaders in the South have tried to discourage credit buying so as to reduce the farmers' costs of operation, and some progress has been made along this line, especially since the production credit associations, with their lower interest charges, have been in operation.

Lack of capital has served to bind many farmers to the long-established furnishing system by which they obtain their supplies on credit from local supply merchants or from their landlords, many of whom are in the supply business. The high cost to farmers for their production requirements has kept them dependent upon local distributors and prevented them from contributing to the capital of

⁵ For a recent case study of farm production and income in Georgia, see Elrod, J. C., and Steanson, O., *Farming Conditions in Toombs County, Georgia*, Bull. 202, July 1939, Georgia Experiment Station, Experiment, Ga.

their own cooperative associations. Cooperative development has also been retarded by the pressure brought to bear by these dealers.

Cooperative purchasing has been further restricted by the fact that many farmers have served as local agents for manufacturers of fertilizer and other supplies. This activity has declined to some extent in recent years with the expansion of cooperatives. It seems probable that through the further development of cooperative purchasing on a large-scale basis farmers may expect to receive greater benefits than are obtainable by buying in small lots from local agents.

Conditions Favorable To Cooperative Purchasing

Since 1930 conditions more favorable to cooperative purchasing have been developing. Probably the most important of these is the general advancement in farming methods. The Federal and State agricultural programs of soil building, erosion control, and crop rotation have improved and diversified farming on a wide scale. This change has created a need for production supplies different from those required for growing cotton. For example, soil-building seeds are now important items in Georgia farm-supply requirements.

Even before the agricultural conservation program was proposed, many farmers, with the assistance of the State Agricultural Extension Service, were introducing new crops, and purchasing dairy and beef cattle and high-quality work stock. These activities have increased the need for tools, implements, and feeds previously little used in Georgia agriculture. (Fig. 3).

More progressive and diversified types of farming have already had a beneficial effect in raising the average income of farmers. In addi-



FIGURE 3.—WITH A DECLINE IN COTTON ACREAGE GEORGIA FARMERS IN RECENT YEARS HAVE EXPANDED PRODUCTION OF GRAIN AND MISCELLANEOUS CROPS, WITH THE RESULTING NEED FOR A WIDER VARIETY OF FARM PRODUCTION COMMODITIES.

tion, the wider variety of crops has resulted in a more even flow of farm income throughout the year and thus enables the farmer to meet more of his obligations with cash as they come due. This ability of farmers to pay cash is an important basis for success among cooperative purchasing associations.

Important to the growth of cooperative purchasing in the State since 1930 is the educational program of the Georgia Agricultural Extension Service. Technical advice and assistance have been made available to all groups of farmers interested in setting up purchasing or marketing cooperatives. This has been followed with general assistance and supervision by county agents during later development of the associations.

In addition, the 400 teachers of vocational agriculture in Georgia have endeavored to teach principles of cooperation in both day and evening classes. Especially through evening-class instruction they have encouraged cooperative activity both in buying supplies and in selling farm products. Most of this cooperative work has been in the form of pooled orders handled by the teachers rather than through organized cooperative associations. Vocational agriculture teachers have handled orders for cover-crop seed, fertilizer, cans and other packing supplies, farm equipment for use on farms and in cooperative community enterprises, and carload purchases of horses and mules.

The success of certain marketing cooperatives has stimulated interest also in purchasing cooperatively. For years Georgia farmers have sold through marketing associations such products as cotton, apples, peaches, pecans, melons, dairy products, potatoes, and cane sirup. The successful operations of these organizations have tended to restore farmers' confidence in cooperative methods and benefits and have encouraged the development of cooperative purchasing either as side-line activities of the marketing associations or as independent purchasing enterprises.

A new farm organization that may encourage the growth of cooperative purchasing is the United Georgia Farmers. This membership and educational organization was set up in 1938 to obtain closer coordination of all farm interests in the State. One of its main functions is education of farmers to support their various agencies and programs. In this respect, the organization, through its county units, may be of considerable assistance in making farmers conscious of the advantages of cooperation.

There are 33 production-credit associations in Georgia—local agricultural-credit cooperatives organized under the provisions of the Farm Credit Act of 1933—which provide credit service at reasonable cost. The money loaned by these associations has been used to purchase fertilizer, seed, feed, livestock and farming equipment, and to pay other farm expenses. Farmers who borrow from production

credit associations are not required to enter into any contract or agreement with the associations or with any individual or corporation for purchase of supplies or for sale of farm products or livestock.

TABLE 3.—LOAN DATA FOR 33 PRODUCTION CREDIT ASSOCIATIONS IN GEORGIA, 1934 TO 1939

Year	Number of loans	Total amount of loans	Average loan per borrower
1934.....	6, 363	\$1, 960, 674	\$308
1935.....	10, 807	3, 449, 859	319
1936.....	13, 197	4, 318, 100	327
1937.....	15, 644	6, 220, 674	398
1938.....	14, 361	6, 535, 761	455
1939.....	13, 094	6, 572, 631	502

Source of data: Compiled by the author from official records of production-credit associations.

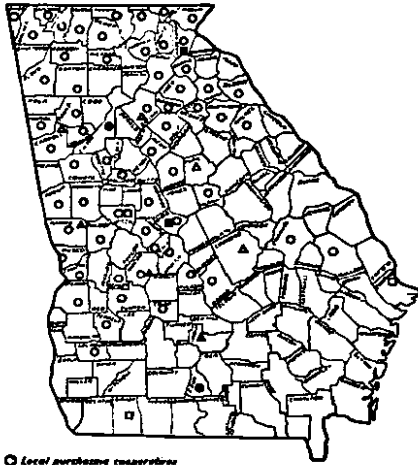
Table 3 presents figures from records of the 33 production-credit associations that show the extent to which Georgia farmers have used cooperative short-term credit in financing their operations since these associations were established in 1934.

While the average size of loans for 1939 was \$502, a study made during that year shows the median size of loans in the 33 associations, based on the total amount advanced per borrower, ranged from a low of \$152 to a high of \$508. The fact that of the 13,094 loans made to Georgia farmers during 1939 a total of 7,247 were for \$250 or less and 11,016 were for \$500 or less indicates the extent to which the credit service of those cooperatives is meeting the needs of individuals having relatively small operations.

Types of Purchasing Organizations in Georgia

Cooperative purchasing in Georgia is carried on by four principal kinds of associations, generally classified as: (1) Local cooperative-purchasing associations each serving part or all of a county; (2) local associations serving Farm Security Administration projects; (3) purchasing associations of the regional type which primarily manufacture and distribute fertilizer direct to farmers on a retail basis; and (4) regional and local marketing associations operating in a number of counties and rendering supply-purchasing service from their central offices. Nearly all of the some 70 purchasing organizations are in the northern and western portions of the State. (See fig. 4.) Table 4 shows the volume of business transacted in 1938-39 by 48 of the associations from which data could be obtained.⁶

⁶ It proved practical to obtain records of business volume from only 41 of the 65 local cooperative associations. Records of business handled by the 24 remaining associations in this group were not conveniently available, since the associations operated irregularly and handled only small quantities of seed.



- Local purchasing cooperatives
- Large scale purchasing cooperatives
- Local marketing cooperatives handling farm supplies
- Regional marketing cooperatives handling farm supplies
- ▲ Community purchasing associations (unincorporated)
- ▲ Local cooperatives operated under Farm Security Administration

FIGURE 4.—TYPES OF FARMERS' COOPERATIVE ASSOCIATIONS PERFORMING A PURCHASING SERVICE IN GEORGIA, 1939.

More than half the supplies purchased cooperatively by Georgia farmers in 1938-39 were distributed directly by the large-scale purchasing associations.

TABLE 4.—VOLUME OF SUPPLY BUSINESS HANDLED BY 48 COOPERATIVE PURCHASING ASSOCIATIONS IN GEORGIA, 1938-39

Type of association	Number of associations	Approximate sales of supplies in 1938-39	
		Amount	Percentage of total
Local cooperative purchasing.....	41	<i>Dollars</i> 291, 138	<i>Percent</i> 35.9
Farm Security Administration.....	1	14, 133	1.7
Large-scale purchasing.....	2	450, 332	55.6
Marketing.....	4	54, 897	6.8
Total.....	48	810, 510	100.0

Source of data: Compiled by the author through visits to the associations.

It will be noted that the local purchasing associations handled about 40 percent of the total cooperative purchasing business, while the 2 regional associations, which render a fertilizer manufacturing service, handled more than 55 percent of the business in 1938-39.

Local Cooperative Purchasing Associations

Since about 1934 local purchasing cooperatives have been organized in approximately 65 Georgia counties. About 15 of the 65 associations were never actively used by farmers, and a number of the remaining 50 were set up and have served chiefly to assist in soil conservation work. Practically all the active associations are incorporated. About 5 rather inactive associations are unincorporated groups of farmers. All the local purchasing cooperatives in the State were organized by groups of farmers with the assistance of the county agricultural agents. Their purpose is to provide cooperative purchasing and marketing

services and to perform any other activities incidental to these functions. The State Agricultural Extension Service assisted in starting these local cooperatives.

The incorporated associations were set up under the Georgia cooperative law of 1921. Their organization papers are similar—all having been based on standard forms prepared by the Marketing Division of the State Agricultural Extension Service. The charter provides for a nonstock type of membership association with existence for 20 years. The majority of them were formed in 1935.

The purposes for which the associations were formed are stated in the standard charter as follows:

(a) To engage in any activity in connection with the producing, harvesting, assembling, storing, processing, financing, transporting, and marketing of any agricultural products delivered to it by producers, or any of the products manufactured therefrom; or in connection with the purchase, lease, sale, or use by it or for its members, of supplies, machinery, land, buildings, or equipment.

(b) To acquire, handle, and market the above-mentioned products in any capacity and on any cooperative basis that may be agreed upon.

The services performed by the local cooperatives in Georgia have been threefold in most cases. First, terracing of land for farmers by means of special machinery and equipment (fig. 5). Approximately two-thirds of the associations have rendered such service. Second, purchasing of cover-crop seed such as Austrian winter peas, hairy vetch, lespedeza, and clover. In connection with the distribution of seed, about one-half of the associations handle fertilizer materials. This is especially true for nine counties in the northern part of the State. The principal materials handled by associations in this nine-county area are limestone and trisuperphosphate, which are used by farmers in the soil improvement program of the Tennessee Valley Authority. Third, assisting farmers in the marketing of such crops as potatoes, string beans, cabbage, poultry, and livestock. These marketing activities usually have involved providing facilities for assembling produce locally, or making contacts with quantity buyers for shipment in carlot or truckload quantities. However, in many counties cooperative marketing services have been performed by local associations organized for marketing purposes only. These associations also operate with the assistance of the county agents.

In general, all farmers in a county are eligible to become members of local purchasing associations simply by becoming patrons. In nine associations an initial membership fee of \$1 is provided, but it has seldom been collected. The bylaws specify that farmers shall make written application for membership in such form as the directors shall prescribe and that upon acceptance as a member each farmer



FIGURE 5.—IMPROVED PRACTICES FOR SOIL CONSERVATION THROUGH BUILDING TERRACES AND CONTOUR PLOWING HAVE BEEN A LEADING ACTIVITY OF MOST OF THE LOCAL FARMERS' COOPERATIVES.



shall receive a membership certificate as prepared by the directors. This procedure also has not been closely followed. In general, all producers who patronize the associations are considered members. The number of member-patrons ranges from 50 to about 1,500, with 300 to 400 the usual number. Membership meetings are held annually by about half the associations, while the remainder call members together irregularly. Some associations have held no membership meetings since their organization.

Each local association has five directors, who are elected for 1 year. Many associations, however, have not held elections of directors since the cooperative was originally set up. The directors are authorized by the bylaws to control the affairs of the associations and may appoint from their number an executive committee of three. In practically all the associations, directors meet on special call and do not hold regular meetings at stated intervals.

Nature of Supply Operations

The local associations are engaged mainly in supplying farmer-members with seed, but, as previously stated, some also handle fertilizer. Operations are seasonal, occurring mainly in the fall. The bulk of supplies consist of the Austrian winter pea and vetch seed used in the fall for establishing winter cover crops, and the lime and

superphosphate that are applied to these crops. Other supplies sold are lespedeza, soybean, and clover seed, pasture-grass mixture, and cottonseed.

The associations supervised by the county agents have not had managers or other hired employees. Farmers' orders are assembled through the assistance of the county agent who supervises the ordering and distribution of supplies. In most cases delivery is made from the car door and farmers haul their own purchases. At times, however, it is necessary to provide local warehouse storage for supplies because farmers are unable to pick them up within a period of 4 to 5 days. Practically all associations have arrangements for use of warehouse space for this purpose either without charge or at a nominal seasonal charge.

Very few of the associations have any capital with which to carry on their operations. In general, cash settlement is required before supplies are released to the farmer. Furthermore, the cooperatives have operated on a cost-plus-handling-charge basis of pricing to farmer-members. Prices paid by farmers have ordinarily been just about sufficient to pay cost of goods plus in-freight and local handling charges. Any margin that may occasionally be realized is either set aside for contingencies or invested in some special equipment to increase the efficiency of the association.

The winter peas and vetch, which represent the bulk of farmers' buying, ordinarily are shipped to the cooperatives on a cash basis requiring payment of draft before the shipment is released to the association. As a result of operating on a cost basis, the cooperatives usually have been without funds and it has been necessary for them to borrow money for short periods to carry on their operations. Loans usually are obtained from local banks. As soon as supplies are unloaded and delivered to farmers and cash collected, the loans are repaid. Credit to farmers on seed and fertilizer distributed to them has been closely restricted by the cooperatives.

Cooperative purchasing through these local associations has been developed largely through the initiative of the State and local agricultural extension service so as to accelerate the soil conservation and improvement program. As a result, farmers have received this cooperative supply service without being made fully familiar with the cooperative organization, its charter and bylaws, and without a full realization of the cooperative objective of having producers control their purchasing operations and policies for their own advantage. Although county agents have performed the duties of supervising the associations, all business transactions have been conducted in the name of the cooperative. The associations have thus provided a special type of service with the local extension agent chiefly responsible for the benefits received by farmers.

Facilities and Methods of Operation

As a result of their method of pricing and selling on a cost-plus-handling-charge basis, a majority of the cooperatives have not been able to acquire much in the way of physical facilities (fig. 6). As a matter of fact, their method of operation and the nature of the supply business have not required any substantial investment in facilities. Eight of the nine northern associations in which farmers are cooperating with the Tennessee Valley Authority soil-building program have been the only ones to accumulate any sizable assets. Assets owned consist mainly of cash, small inventory stocks during the seed-buying season, and in four of the associations warehouse buildings which were constructed by means of financial assistance from the county and labor provided by the local Works Progress Administration. The range in value of these assets was from \$175 to \$4,458 per association (table 5). As a result of this contribution to fixed assets, the members of these eight associations own a considerable percentage of the assets. Except for one association, the liabilities represent only small amounts and are relatively unimportant.

In addition to purchasing supplies, these eight associations also have or are developing a variety of miscellaneous services, including

TABLE 5.—COMPARATIVE BALANCE SHEETS FOR EIGHT LOCAL PURCHASING COOPERATIVES IN NORTH GEORGIA AS OF JUNE 30, 1939

Item	Association code number							
	1	2	3	4	5	6	7	8
<i>Assets</i>								
Cash.....	\$50	\$91	\$320	\$259	\$65	\$50	\$301	\$100
Notes receivable.....								63
Accounts receivable.....		378		620	150	150	5	700
Inventories.....	125	739	700	410	115	50	63	535
Total current assets.....	175	1, 208	1, 020	1, 289	330	250	369	1, 398
Fixed assets.....		1, 028	1, 200	1, 795	200	450		3, 060
Total assets.....	175	2, 236	2, 220	3, 084	530	700	369	4, 458
<i>Liabilities</i>								
Notes payable.....		600		231		150		3, 000
Accounts payable.....				420	123		10	35
Total liabilities.....		600		651	123	150	10	3, 035
<i>Net worth</i>								
Surplus and reserves.....	175	1, 636	2, 220	2, 433	407	550	359	1, 423
Total liabilities and net worth.....	175	2, 236	2, 220	3, 084	530	700	369	4, 458

Source of data: Compiled by the author from records of the associations.



FIGURE 6.—A NUMBER OF LOCAL ASSOCIATIONS HAVE ERECTED MODEST STRUCTURES LIKE THIS ONE IN WHICH ARE CARRIED ON COOPERATIVE CANNING, SUPPLY WAREHOUSING, AND MARKETING OF FARM PRODUCTS.

potato grading, spraying, cold storage, and canning, all of which require some specialized equipment.

The local associations have not yet performed any manufacturing services in connection with their supply operations. Those few that have acquired canning equipment and storage facilities usually make a small service charge to members, which goes to pay for the equipment and its supervision (fig. 7). A few associations have considered the possibility of setting up their own small dry-mixing plants to manufacture fertilizer. This service might stand a good chance of success because of the favorable freight rates on inshipments of raw materials, as compared with freight rates on inshipments of mixed goods. In a few counties, interest has developed in having the associations lease rights to local lime deposits and acquire equipment to produce ground limestone.

Purchases of seed and limestone have been made largely from private supply sources. Most of the cover-crop seed is obtained through wholesale seed houses at such points as Savannah and Atlanta, Ga., and Knoxville, Tenn. A few associations had obtained part of their seed from farmers' organizations in Tennessee or North Carolina, but this represented a small portion of the total seed purchased. Superphosphate bought by associations in the Tennessee Valley Authority area was obtained exclusively from the Tennessee Valley Authority on a basis which required farmers to pay only the cost of transporting the supplies to their shipping point. This privilege is available to only about 50 to 100 farmers in each of the 9 counties whose farms have been accepted as demonstration units in



FIGURE 7.—THIS WAREHOUSE IS TYPICAL OF A HALF DOZEN OTHERS USED BY LOCAL ASSOCIATIONS IN PROVIDING FARMERS WITH A VARIETY OF SUPPLY MARKETING AND PROCESSING SERVICES.

the Tennessee Valley Authority soil-building program. The remaining cooperatives buy irregularly small amounts of lime and superphosphate from independent sources.

Mixed fertilizer is not handled to any extent by local cooperatives in Georgia; only 2 associations reported such purchases in 1938-39. One of these two associations bought from a private fertilizer company and the other from the Producers Cooperative Exchange of Atlanta.

At the present time purchasing by the cooperatives is entirely individual, with little attempt to pool purchase orders for the purpose of obtaining advantages of large-quantity orders. They have had no wholesale cooperative agency to which they could look for assistance in obtaining favorable contracts and checking quality of supplies available on the market.

TABLE 6.—VOLUME AND VALUE OF SUPPLIES SOLD BY 36 LOCAL GEORGIA PURCHASING ASSOCIATIONS, YEAR ENDING JUNE 30, 1939

Item	Associations handling	Quantity sold	Sales value to farmers
	Number	Tons	Dollars
Seed.....	35	1, 810	181, 506
Lime.....	7	2, 511	11, 693
Superphosphate.....	9	1, 155	9, 050
Mixed fertilizer.....	2	1, 602	49, 500
Miscellaneous.....	4		8, 133
Total.....			259, 882

Source of data: Compiled by the author from records of the associations.

Volume of Supply Operations in 1938-39

The total volume of supply business handled by 36 of the associations for which itemized sales figures were obtained for the year ending June 30, 1939, is approximately as shown in table 6.

The sale value of these supplies represented their cost to the associations plus handling margins averaging about 5 percent. Table 7 shows supply sales and marketing sales for each of the 36 associations from which sales figures were obtained.

TABLE 7.—VOLUME OF FARM SUPPLIES SOLD AND PRODUCTS MARKETING BY 36 LOCAL COOPERATIVE ASSOCIATIONS IN GEORGIA, 1938-39

Association	Supply sales	Marketing sales	Total sales
Madison County Marketing Association.....	\$38, 914	-----	\$38, 914
Macon County Soil Improvement Association.....	27, 050	-----	27, 050
Emanuel County Agricultural Association.....	16, 200	\$29, 061	45, 261
Irwinville Cooperative Association (F. S. A.).....	14, 133	10, 625	24, 758
Towns County Soils Improvement Association.....	13, 469	-----	13, 469
Elbert County Agricultural Association.....	13, 000	-----	13, 000
Bullock County Agricultural Association.....	10, 200	-----	10, 200
Meriwether County Agricultural Association.....	9, 240	-----	9, 240
Crisp County Agricultural Association.....	8, 934	-----	8, 934
Sumpter County Marketing Association.....	8, 325	104, 000	112, 325
Peach County Agricultural Association.....	8, 100	-----	8, 100
Oglethorpe County Agricultural Association.....	7, 600	-----	7, 600
Gilmer County Farm Development Association.....	7, 337	15, 350	22, 687
Catoosa County Farmers Cooperative Association.....	7, 050	-----	7, 050
Troup County Conservation and Improvement Association.....	6, 273	-----	6, 273
Union County Soils Club.....	5, 748	18, 233	23, 981
Harris County Agricultural Association.....	5, 400	-----	5, 400
Coweta County Agricultural Association.....	5, 188	-----	5, 188
Fannin County Agricultural Association.....	5, 145	1, 605	6, 750
Rabun County Soil Conservation and Improvement Association.....	4, 747	-----	4, 747
Murray County Soil Conservation and Improvement Association.....	4, 585	12, 250	16, 835
Snellville Agricultural Cooperative.....	4, 400	-----	4, 400
Spalding County Farmers Association.....	4, 000	-----	4, 000
Terrell County Agricultural Association.....	3, 700	-----	3, 700
Pulaski County Cooperative Association.....	3, 240	-----	3, 240
Dodge County Agricultural Association.....	3, 060	283, 798	286, 858
Talbot County Soil Erosion Association.....	2, 930	-----	2, 930
Habersham Mutual Association.....	2, 859	12, 057	14, 916
Calhoun County Agricultural Association.....	2, 700	-----	2, 700
Hall County Soil Conservation and Improvement Association.....	1, 700	-----	1, 700
Putnam County Farm Board.....	1, 500	-----	1, 500
White County Soil Conservation Association.....	1, 195	-----	1, 195
Douglas County Purchasing Committee.....	720	-----	720
Dade County Soil Conservation and Improvement Association.....	630	-----	630
Walker County Soil Conservation Association.....	450	-----	450
Banks County Farmers Association.....	160	-----	160
Total.....	259, 882	486, 979	746, 861

Source of data: Compiled by the author from records of the associations.

As a result of having operated largely on a car-door basis with each order of supplies settled and accounted for on its invoice plus handling expense, the associations have not kept exact business records nor prepared operating statements and balance sheets. Since members receive their supplies practically at net cost, the associations have earned little or no net incomes. Likewise, there has been no problem of paying patronage dividends because there were no earnings to be distributed. Records of the business transacted in the name of the associations are usually kept in the county agents' offices.

Marketing service rendered in the name of the cooperatives has consisted almost entirely of county agents' assistance in finding outlets for such products as potatoes, beans, squash, poultry, and livestock. In 9 of the 36 associations listed in table 7, the volume of marketing in 1938-39 totaled \$486,979, of which about 38 percent represented livestock marketed by 1 association (fig. 8).

In a number of other counties there are wholesale market facilities and livestock auction yards which belong to marketing cooperatives. Some of these facilities have been erected as a general community undertaking on a strictly cooperative basis, but with the assistance of local business interests. They are sponsored by the agricultural extension agent in carrying out a marketing program for vegetables, livestock, and poultry. Local purchasing associations have not rendered any marketing service for such products as cotton, tobacco, fruit, peanuts, melons, and syrup.

Need for Strengthening Locals

The most striking feature of the local purchasing cooperatives in Georgia has been their close relationship with the county agricultural extension agents. With the necessity of carrying on many duties arising from various agricultural programs, county agents have not been able to give as much attention to development of interest and leadership in agricultural cooperation as they did in earlier years. Thus farmers who want their cooperatives to render a purchasing service will need to take a more active part in the direction of these enterprises.

Another important need of these associations is for more adequate capital with which to carry on operations. A change in pricing policy that will enable the cooperatives to obtain larger capital reserves for operating purposes will help to meet this need. Another possible means of increasing capital is to encourage farmers to make an investment in their association. This will give the associations greater strength and permit them to operate on a more businesslike basis. At the same time, it will tend to develop pride of ownership among the members and lead them to be more active in cooperative affairs.

To be successful in their operations, these local associations must have a larger and more varied supply business. As farmers learn the



FIGURE 8.—WORTHWHILE BENEFITS FROM COOPERATIVE LIVESTOCK ASSOCIATIONS, SUCH AS THIS ONE, HAVE INCREASED FARMERS' INTEREST IN COOPERATIVE BUYING OF THEIR SUPPLIES.

value of efficient local associations rendering a variety of services, they will give increasing support to them. Up to 1939, however, less than one-tenth of all farmers in the State have been actively concerned with the associations. The cooperatives can win wider support by providing a constantly improving supply service, on a car-door basis or with warehouse facilities, as local conditions may require.

The success of cooperative purchasing in Georgia will depend largely, especially in its early stages, upon those farmers who are capable of becoming leaders in the program. There is a special need for progressive farmers in each county to support the local cooperative program and to assist the State agricultural agencies in their efforts to improve local conditions.

Cooperatives Set Up by the Farm Security Administration

The Farm Security Administration has set up three demonstration cooperatives in Georgia as a part of its program of assistance to its clients in improving farming methods. The Irwinville Cooperative Association, located in Irwin County, is operated in connection with the Irwinville Farm Project. A second project in Harris County, known as the Pine Mountain Project, has a local cooperative association which conducts a general store for farmers and markets their poultry and eggs. At a third demonstration unit, known as the Flint River Project, at Montezuma in Macon County, the Administration has organized a cooperative in connection with its agricultural rehabilitation and training work for Negro farmers. Little cooperative

purchasing of farm supplies is done at these three points except at Irwinville.

In general, the Administration also assists cooperative purchasing in a majority of Georgia counties by loans to groups of farmers, which enable them to buy needed equipment, livestock, and productive services. Many of these farmers have likewise become members of cooperative associations by purchasing capital stock out of the proceeds of such loans.

The way in which the cooperatives at Irwinville and Montezuma are set up and operated by the Farm Security Administration is indicated by the following brief description of the Irwinville Cooperative Association, one of the cooperatives visited in connection with this survey.

In order to increase the participation by farmers in the farming project and to lead them into performing a number of essential services for themselves, the Irwinville Cooperative Association was incorporated in May 1937 under the Georgia cooperative law of 1921. It is of the membership type and holds meetings of members every 3 months. Upon payment of a \$1 membership fee, it serves any farmer in Irwin County as well as those located on the project. In June 1939, it had 105 farmer-members.

The association was organized to provide supply, processing, and marketing services for its members, and to carry on any other activities they might require as agricultural producers. It purchases fertilizer, feed, seed, and machinery for farmers, processes their grain and peanuts, gins their cotton, and provides marketing service for those who desire it. For these purposes, it maintains a warehouse leased from the project, and owns a community feed and grist mill, a blacksmith shop, peanut threshing equipment, and an up-to-date cotton gin. In addition, it operates a general store which carries household supplies, including groceries, meats, dry goods, and related lines.

The association has been financed entirely by loans from the Farm Security Administration. To June 1939, it had received a total of about \$63,000 in loans, but repayments had reduced the net amount of debt to about \$46,000. The Farm Security Administration holds a first mortgage lien on all its assets.

The cooperative association is directed by the local project manager, who is an employee of the Farm Security Administration. Purchasing and the determination of sources of supplies to be purchased are under his control. The county agricultural agent has given advice in connection with farming problems, but has not been concerned with the cooperative's business activities. The present manager is a farmer with cooperative experience. In addition to this supervision, the accounts of the association are kept by a trained accountant of the

Administration, who prepares monthly statements of operations and financial conditions. Audits are prepared by an Administration auditor.

Fertilizer is the principal farm supply purchased for members. In 1938, all the 500 tons of fertilizer purchased was obtained from the Sowega Fertilizer Corporation at a sale value to farmers of \$13,500. The other farm supplies handled in 1938 had a total sale value of about \$600. No seed or feed were purchased for farmers in 1938.

The Irwinville Cooperative marketed 249 bales of cotton for farmers from the 1938 crop. This was part of the 431 bales ginned at the new cooperative gin. Farmers are free to sell their own cotton after having it ginned cooperatively or they may obtain marketing advice and assistance from the manager of the project. Additional services, such as peanut threshing, feed grinding, and repair of equipment, have been rendered.

The organization plan permits refunds of earnings to farmers when the fixed liabilities have been paid for and a suitable surplus has been accumulated. As farmers have paid no capital into the organization except for their membership fees, and surplus earnings have not accumulated, the cooperative has operated thus far solely on loans from the Farm Security Administration.

For 1938, the Irwinville Cooperative Association had a total business volume of \$31,072. The net result after deduction of all expenses and charges was a loss of \$219.

On December 31, 1938, the association had total assets of \$47,156. Current assets amounted to \$21,069; fixed assets, \$25,032; and accruals, \$1,055. Current assets consisted of \$15,705 cash, \$5,067 in inventories, and \$297 in accounts receivable. The liabilities totaled \$47,332, and the net deficit was \$326.

Operations for 1939 were reported to show an improvement over those of 1938 but operations had not covered a sufficient period of time to permit any general conclusions to be drawn concerning the general success of the venture. The management believed the farm-supply side of the cooperative's business could be handled more satisfactorily than the store sales of household supplies. Although the organization has been thus far sponsored and entirely financed by the Farm Security Administration, its form of organization is strictly cooperative. This fact and the degree to which it is equipped to render a variety of essential farm services indicate that the association has an opportunity to become a successful farmer-controlled cooperative.

Fertilizer Associations

There are two associations in the State which manufacture and distribute fertilizer on a fairly large scale. Although these associations are permitted under their articles of incorporation to handle other

supplies and render other services, they have not to any extent expanded their activities beyond their fertilizer services. One of these associations, Producers Cooperative Exchange, has headquarters at Atlanta and carries on its manufacturing operations at Savannah. The other, Sowega Fertilizer Corporation, has its headquarters and manufacturing plant at Adel.

Producers Cooperative Exchange

Producers Cooperative Exchange is by far the largest cooperative purchasing association in the State. It was organized by a small group of producers in 1934, under Delaware law as a nonstock cooperative association to provide a general farm-supply service to its members. It was designed to operate in the place of and perform the general-supply functions rendered in Georgia by the Growers Supply Company, a subsidiary of the Georgia Cotton Growers Cooperative Association, which discontinued operations in 1933.

Among the purposes of the exchange as stated in its charter are the following:

(a) Manufacturing, buying, selling, storing, holding, exchanging, and dealing in and handling in every way fertilizer and fertilizer materials, and farm and agricultural commodities, products, and supplies of all kinds * * * necessary and useful in the business of farming.

(b) To engage in any activity in connection with the marketing, selling, harvesting, preserving, drying, processing, canning, packing, storing, handling, ginning, or utilization of any agricultural products, or the manufacturing or marketing of the byproducts thereof; or in connection with the purchase, hiring, or use by its members of supplies, machinery, or equipment; or in the financing of any such activities; or in any one or more of the activities specified in this section.

Operations of the exchange, however, have been restricted to mixing and distributing fertilizer, except for occasional small sales of seed and farm equipment.

Members of the Producers Cooperative Exchange consist of its patrons, who at the time of their first purchase sign a written application for membership. In 1939 the exchange had about 3,500 members. In 1936 and 1937 the number was about 5,000. In accepting membership, patrons agree to be bound by the bylaws and by any agreements signed by them. They are not required to buy any stock or to pay dues or membership fees, but are to share in earnings of the association. Those who fail to patronize the exchange for as long as 2 years automatically cease to be members.

Members have one vote each. Seven directors are elected by the members for 3 years each. Their terms are arranged so that some are elected each year.

Shortly after it was formed in 1934 the exchange purchased a fertilizer plant at Savannah, Ga., for \$35,000. Because it had no assets of any kind, no cash payment was made at the time of this

purchase. Ten notes were issued to the seller by the exchange, each for \$3,500, bearing 5 percent interest and payable one each year beginning on June 30, 1934. To finance its operations each year the exchange has obtained bank loans which usually have been secured by a mortgage on its mixing plant and liens upon the fertilizer materials purchased with the proceeds of such loans.

Before obtaining bank financing for 1937 the exchange sold its own \$100 debentures amounting to \$40,000 to about 400 producer-members. Of this amount \$15,000 was obtained in cash and the balance consisted of notes due in 1, 2, and 3 years. At the close of 1936 the original purchase price of \$35,000 on the fertilizer plant had been paid down to \$28,000. An arrangement was then reached with the seller for scaling down this amount to \$20,000, part of which was then paid in cash obtained from sale of debentures and the balance in the notes of farmers which had been received in exchange for debentures.

Since 1937 the Producers Cooperative Exchange has carried on its fertilizer operations by means of short-term loans from local banks and by obtaining materials on consignment. This has made it impossible for the exchange to obtain as favorable prices and to earn as large net income as when cash was available in advance of the fertilizer-distribution season. Consequently, the operation in 1938 resulted in a net loss. In 1939, in addition to a \$5,000 bank loan and fertilizer materials received on consignment for a total of \$100,000, a group of members of the exchange paid in \$60,000 in advance for their fertilizer requirements. As a result of these efforts the exchange showed a net income of about \$11,750 at the end of the 1939 season.

Volume and quality of fertilizer distributed.—The Producers Cooperative Exchange has specialized in the manufacture and distribution of high-grade fertilizer. At times farm wagons and small quantities of soil-improvement seed—lespedeza, winter peas, and vetch—have been purchased for members. Table 8 shows the approximate volume of business done by the exchange and the estimated membership each year since it began operation.

TABLE 8.—MEMBERSHIP AND VOLUME OF BUSINESS OF PRODUCERS COOPERATIVE EXCHANGE, 1934-39

Year ending June 30	Estimated membership	Fertilizer sold	Value of sales
	Number	Tons	Dollars
1934.....	1, 807	11, 700	272, 052
1935.....	5, 000	23, 026	670, 586
1936.....	5, 000	13, 000	323, 710
1937.....	5, 000	21, 355	512, 376
1938.....	5, 000	14, 992	318, 378
1939.....	3, 500	15, 100	335, 332

Source of data: Compiled by the author from records of the association.

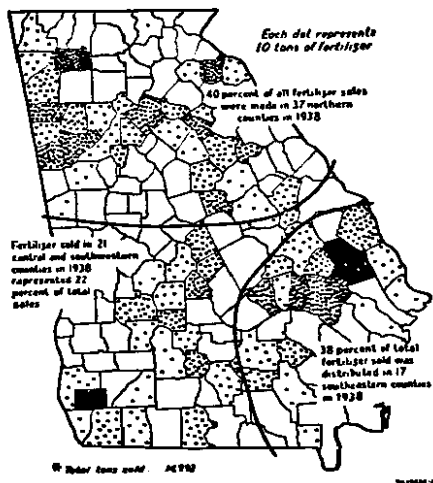


FIGURE 9.—FERTILIZER SOLD IN GEORGIA COUNTIES IN 1938 BY THE PRODUCERS COOPERATIVE EXCHANGE.

Selling and distribution of fertilizer for the Exchange is handled by local agents, most of them farmers.

In 1934 the exchange sold fertilizer to 1,807 farmer-members and to 663 other farmers who did not become members. The number of member-patrons increased in 1935 to about 5,000 and remained approximately the same until 1939 when about 3,500 members purchased fertilizer.

While fertilizer sales by the exchange account for less than 2 percent of the total tonnage distributed annually in Georgia, its operations in 1939 extended to more than half of the 159 counties in the State (fig. 9). Moreover, conversations with a number of patrons of the exchange at various points in Georgia revealed that farmers who have used its fertilizer are satisfied as to its high quality and the results obtained from it. The exchange employs its own fertilizer chemist who, as superintendent of mixing operations, regulates the quality of the manufactured product. In its effort to provide a uniformly high quality product the exchange is reported to have incurred costs on mixed fertilizer approximately 10 percent above the costs of competitively priced fertilizers. This effort to maintain high quality has not proved entirely satisfactory in increasing volume of sales. As a result the exchange recently has had to consider offering, in addition to its quality product, a lower quality fertilizer that will compete more effectively with the product of other fertilizer manufacturers.

Methods of operation.—The exchange mixes fertilizer at its plant in Savannah and distributes from there through local agents, by rail and truck, to farmer patrons. The manufacturing plant has a storage capacity of 25,000 tons. It is located on leased ground adjacent to the wharves of the Atlantic Coast Line Railroad, about 1 mile from the business center of Savannah, and has good rail facilities.

To supply its fertilizer patrons in north Georgia more economically, the exchange has a contract with the Atlanta Chemical Co. under which the company manufactures and ships fertilizer to exchange

patrons in north Georgia and the exchange ships fertilizer from its Savannah plant to customers of the Atlanta Chemical Co. in south Georgia. This contract provides some advantages in prompt deliveries and savings in costs of transportation. In making shipments the chemical company uses the burlap and cotton bags of the exchange, and the exchange does likewise when making shipments to customers of the chemical company. Each handles billing and collections for its own patrons.

Prices charged by the exchange for mixed fertilizers and materials are set at the beginning of the season in line with prices established by the fertilizer trade. Prices are quoted on both a time and a cash basis, with the cash price 10 percent less than the time price. Price schedules also include delivery to the agent's distribution point. When shipments are made in minimum carlots of 20 tons or more by rail or boat, or in any quantity to the agent's warehouse by truck, 50 cents per ton is allowed from the quoted price for delivery to the farm. Prices are subject to change at any time. It has been customary during a number of years for fertilizer prices to decline as the distribution season advanced. This has led fertilizer companies to guarantee the benefit of such decline to patrons who purchase at the higher prices. Pricing policies of the exchange necessarily follow the practices of the fertilizer industry.

Credit policy.—The Producers Cooperative Exchange has attempted to sell on a cash basis. However, because of credit methods of the fertilizer industry and the financial situation of many farmers this has proved to be not entirely practical. During the 3 years, 1937-39, the exchange has made about half of its sales on a cash basis, and the remainder on credit payable usually by June 1, as is customary in the industry. Local representatives feel that they must allow some credit in order to meet competition. To a large extent all sales by the commercial fertilizer industry are credit sales, because the fertilizer is generally shipped out to the agents on consignment between February 1 and April 30, while collections and returns are customarily made around June 30 or later.

The exchange has not wished to have its volume of sales diminished because farmers were unable to pay cash. Nevertheless, an attempt has been made to restrict credit to the better financed farmers. As a result volume of sales has not been expanded so much as would be possible with more liberal credit. Although half of its sales have been made on credit, the exchange until 1939 was able to keep its receivables as of June 30 to a reasonable size compared with the experience of competitors. Losses from uncollectible accounts amounted to not over 5 percent of sales. After the close of the 1939 fertilizer season, however, accounts and notes receivable represented about 62 percent of total assets and were five times as large as net

worth. The exchange carries credit insurance, which has cost about \$800 per year in premiums. It provides indemnity for 75 percent of credit losses in excess of a nominal amount, usually \$1,200.

Patronage refund policy.—The bylaws of the exchange provide, with certain restrictions, for the distribution of net savings to members annually. Until a surplus fund of \$25,000 has been created and maintained no distribution to members may be made in excess of 75 percent of the savings in any one year. After such surplus fund of \$25,000 has been accumulated and reserves set up for bad debts, inventory shrinkage, and other contingencies, the directors may distribute not over 90 percent nor less than 75 percent of the balance of net savings among members who have purchased from the exchange during the last fiscal year. The exchange distributed cash refunds to members from the earnings of 1934 and 1935 but has made no patronage refund since 1935.

Relationship to other cooperatives.—The Producers Cooperative Exchange was set up entirely independent of other cooperative purchasing associations. Nevertheless, it has had favorable relations with a few local farmers' cooperatives in its distribution of fertilizer. The exchange's management has taken the position that distribution of farm supplies through groups of farmers organized into local cooperatives would prove successful and beneficial to both the farmers and the exchange. The fact that it has operated over a large territory on a direct-to-farmer basis, as compared with distribution through local associations, has been a handicap in building the close contact with farmers that is essential to a loyal membership. The exchange has given consideration to this problem, but up to June 30, 1939, little improvement had been effected.

As stated above, the exchange has taken the place of the Growers Supply Co. which, between 1927 and 1933, operated as a subsidiary of the Georgia Cotton Growers Cooperative Association. This company handled for farmers each year fertilizer with a value ranging from \$1,200,000 in 1929 to \$250,000 in 1932. Since 1933 the Producers Cooperative Exchange has had no legal connection with the Georgia Cotton Producers Association, but these two organizations have worked together closely in advancing cooperation in the State.

Operating and financial condition of the Producers Cooperative Exchange.—In the year ending June 30, 1939, the exchange distributed about 15,100 tons of fertilizer which, after allowance for trucking and freight charges, discounts, and allowances, had a net sales value of \$335,333. Materials and manufacturing costs totaled \$289,255, leaving a gross income of \$46,077, or 13.8 percent of net sales. In general, the operations of the exchange for the 1939 fertilizer season were more favorable than in either 1937 or 1938.

As of June 30, 1939 the exchange had total assets of \$138,853 of which current assets consisted almost entirely of notes and accounts receivable which had accumulated during the operating years 1936 through 1939. A very small amount of fertilizer inventory was left from the 1939 operations. The Savannah plant and equipment and miscellaneous other assets were carried on the books at a depreciated value of \$32,500.

Short-term debt was \$82,103. The current ratio (current assets to current liabilities) was about 1 to 1. Unsecured debentures were \$40,700 and surplus and undivided earnings were \$16,050. The net worth of the association amounted to only 12 percent of the total assets.

One of the exchange's serious problems has been financing each year's purchases of fertilizer materials and paying for current manufacturing operations. Although some capital has been paid in on two occasions, members have made no permanent investment proportionate to the large volume of business done.

Sowega Fertilizer Corporation

Sowega Fertilizer Corporation is organized under the Georgia cooperative statute of 1921 to provide its members with a fertilizer manufacturing and selling service, to supply them with other farm requirements such as machinery, equipment, seed, and feed, and to engage in any other activity not inconsistent with the cooperative law. It is a



FIGURE 10.—SOWEGA FERTILIZER CORPORATION EFFICIENTLY MANUFACTURES AND DISTRIBUTES ITS PRODUCT TO MELON, TOBACCO, AND COTTON FARMERS IN SOUTH GEORGIA AND NORTH FLORIDA COUNTIES.

capital-stock corporation issuing common stock with a par value of \$10 per share. Membership is open to producers of agricultural products conditional upon ownership of one or more shares of common stock. The number of members has increased each year, beginning in 1934 with 152 and rising to 526 in 1939.

The association sells supplies to both members and nonmembers. In the beginning the association's fertilizer activities were meant primarily to serve melon growers who were members of the Sowega Melon Growers Association, but in recent years the business has been extended to tobacco and cotton growers located in south Georgia and north Florida counties. Recent operations indicate that about 60 percent of the business is done with members and 40 percent with nonmembers (Fig. 10).

Sowega Fertilizer Corporation sells direct to farmers. It manufactures its fertilizer at Adel and ships out largely by truck to farms. Fertilizer materials purchased by the corporation are obtained from importers and large manufacturers at various points in the South.

The corporation sells as nearly on a cash basis as is possible under good merchandising practice. This policy has contributed to keeping it financially sound, but has made it difficult to meet competition of most other fertilizer distributors who extend credit more liberally.

Another basic policy that has presented a serious problem to the corporation is the high quality of its product. Local fertilizer mixing plants have attracted many farmers by producing inferior grades of fertilizer at cut prices. This has confronted the corporation with the question of maintaining quality in the face of this competition or meeting the competition with a lower grade of fertilizer.

Information covering the operations and financial condition of the association were not available, but it is believed that the association has operated very efficiently and that its financial condition is sound. This is further indicated by the fact that all operating loans have been paid in full.

The chief problems of the association pertain to meeting severe competition in quality and keeping a loyal membership. Considerable effort has been made to hold membership interest in the face of competition, and it is believed that with constant effort in this direction the association can maintain its present following and acquire new patrons as well.

Marketing Associations That Provide Purchasing Service

A number of farmers' marketing associations in Georgia in the last few years have provided a cooperative purchasing service for their members and some have considered adding this service. The Georgia Cotton Producers Association, which operates over most of the

State, is now working out a program to assist in cooperative supply distribution. Two regional cooperatives which operate as selling agents for fruit growers have done some purchasing for their patrons. A number of local marketing cooperatives also have handled small quantities of supplies.

Regional Marketing Associations

Since 1937 the Georgia Cotton Producers Association, which was organized in 1933, has been developing local cotton warehouse associations for handling and storing cotton. At the close of 1939 four such associations had been operating from 2 to 3 years. The State cotton association has considered initiating a supply department in each of these four associations when their marketing program is well established and financial conditions are satisfactory. The existing warehouse associations are located at Carrollton, Dawson, Hawkinsville, and Dublin (fig. 11). At the close of 1939 plans were in preparation to acquire cotton warehouses at Cordele, LaGrange, Monroe, and Moultrie and to organize local associations of farmers at these points to operate the warehouses and eventually to provide a supply service.

A uniform plan has been employed in financing the warehouse associations under which farmers subscribe a certain amount of the funds required to buy a plant, with the remainder being borrowed from a bank. Operations of each association cover a territory comprising 6 to 10 counties. Earnings of the four warehouse associations derived from storage of cotton and from handling charges on cotton marketed for farmers have been so satisfactory that the loans on their plants are being paid promptly and considerable equities are accumulating for members.

The State cotton association supervises the operations of the local warehouse associations and assists them primarily in obtaining market outlets for their cotton. It is now the plan of the cotton association that the warehouse associations can improve their services to members and increase their own earnings by developing a cooperative-supply activity, primarily in local mixing and distribution of fertilizer. For this purpose it is intended to set up gradually small fertilizer-mixing units in each of the warehouse associations. A service for seed and other production supplies is likewise proposed.

These plans for building a supply service by the cotton warehouse associations appear to be sound. The associations operate over a wide enough territory to provide an economical volume of supply business. Each of them has large warehouse space which is used at least during the first half of the year, when the bulk of the fertilizer business is handled. A supply business would likewise multiply the number of contacts that members would have with their associations and thus improve their familiarity with and confidence in them.

The warehouse associations already have strong membership groups which desire that cooperative supply services be made available.

Another purchasing service for farmers by a Georgia marketing cooperative is conducted by the Consolidated Apple Growers Exchange, Inc., at Cornelia. This exchange was organized in 1921 and serves as sales agent for about 100 apple orchards in northeastern Georgia. In connection with its selling services the exchange purchases growers' supplies and packing materials for its members. Growers' supplies handled by the exchange include fertilizer, spray materials and equipment, nursery stock, roofing, lubricating oil, tires and tubes, and other miscellaneous farm supplies. It also provides boxes and baskets for packing apples and peaches. In 1939 farmers purchased supplies with a value of about \$22,000 through the exchange.



FIGURE 11.—TWO OF THE COTTON WAREHOUSES OWNED BY MEMBERS OF THE GEORGIA COTTON PRODUCERS ASSOCIATION AND WHICH ARE INTENDED TO BECOME CENTERS FOR COOPERATIVELY MIXED FERTILIZER AND OTHER FARM SUPPLIES.



It has been found that the handling of supplies is a valuable service to producers and has helped to keep the members in contact with the organization.

The exchange buys supplies largely on consignment, either on specific orders by farmers or in preparation for a general seasonal demand. It has purchased almost entirely from private manufacturers and wholesalers who specialize in supplies required by fruit growers. However, a small part of the fertilizer distributed has been bought from the Producers Cooperative Exchange.

The Georgia Peach Growers Exchange at Macon, operating in about 10 counties in central Georgia, has been interested in helping its members to purchase their necessary packing supplies more economically. This exchange has thus far limited its services to locating the most advantageous sources of supplies. Thus in 1939 the peach growers were able to make considerable savings through purchase contracts obtained by the exchange, which introduced a greater degree of competition in bidding by suppliers of packing materials. Although this service is new, it is believed that additional benefits to producers will come from efforts of the Peach Growers Exchange in supply purchasing.

Local Marketing Associations

The Starland Dairies Cooperative at Savannah has performed a small purchasing service for its members since its organization in 1933. In 1938 the association's purchases of dairy feed, equipment, and miscellaneous supplies totaled about \$15,000 for its five members. There is an increasing interest among the members and other producers in developing a more complete cooperative supply business. In addition to the Starland Dairies Cooperative, four other cooperative creameries in the State have been considering cooperative purchase (fig. 12) of their supplies, but have taken no definite action in that direction.

The Cane Growers Cooperative Association at Cairo, organized in 1922, has acted for two seasons as agent-distributor of fertilizer manufactured by the Producers Cooperative Exchange. The association received the fertilizer on consignment from the Savannah plant of the exchange and has sold it to farmers on a cash basis. In 1938 a total of 120 tons was distributed and in 1939 a volume of 75 tons. The association received an agent's commission for its handling service. Members and directors of the Cane Growers Cooperative have considered the possibility of handling general farm supplies including farm tools and gasoline and lubricating oil. This association owns a large warehouse and sirup-canning equipment with which it serves its approximately 300 members. During a considerable portion of the year, there is unused storage space that could



FIGURE 12.—THE COOPERATIVE CREAMERIES AT SAVANNAH AND ATHENS HAVE PIONEERED IN PROVIDING PURCHASING SERVICES TO THEIR MEMBERS.



be conveniently employed for supplies. The directors are interested in developing a supply business to serve producers who visit the plant regularly and also to carry part of the overhead expense of the plant.

The pecan-marketing associations in Georgia also are interested in the possibilities of a cooperative purchasing program in the State and how it may be made to benefit their members. However, they have not actively entered the supply field.

There has been sufficient recent interest taken by producers' marketing associations in cooperative supply buying to indicate that their needs and advice should be consulted in formulating a program for the entire State.

A Cooperative Purchasing Program for Georgia

Georgia farmers require annually about \$50,000,000 worth of supplies for production purposes, but in 1938-39 they purchased less than 2 percent of this amount through cooperatives. Consequently there is a wide field available for expansion of cooperative supply business.⁷

The existing cooperative supply associations in Georgia are relatively new and are confronted with many problems. Although they have made some progress, vigorous and concentrated effort is needed to take full advantage of their possibilities. Government programs for farmers have encouraged the formation of cooperatives and have opened a path for their advancement. Also, the State Agricultural Extension Service and the State Division of Vocational Education are giving attention to cooperative education in the hope that some coordinated system of farmer purchasing may be developed.

To advance cooperative purchasing in Georgia the following principal lines of approach are suggested: (1) Improve the organization and operation of existing local associations; (2) develop local cooperative fertilizer-mixing services; (3) organize more effective educational work in cooperation among farmers; and (4) develop a cooperative wholesale supply service for the local associations. To carry out such a program will require time and the coordinated efforts of farmers and agricultural and cooperative leaders.

Strengthen present local associations.—Local supply associations in Georgia have operated on an irregular basis and frequently have tried to render service without sufficient capital. To provide dependable and growing services they will require much more financial support from farmers. To effect substantial savings, the cooperatives should build up their capital so that they will be able to purchase fertilizer economically or develop local fertilizer mixing plants and to purchase seed and other supplies at favorable prices and in desired quantities. This program cannot be conducted entirely on credit, and it will be necessary for farmers to provide initial capital if the undertaking is to succeed. This initial capital investment by farmers would enable the associations to purchase supplies on a cash basis, make their investment in the capital stock of a central organization, and improve their ability to obtain bank loans.

A large part of the buying by patrons has been conducted on a car-door basis. This policy is to be strongly commended for the small associations, especially during the early stages of development. It is not only an economical method of handling, but it also usually results

⁷ See also Lister, J. H., and Francis, G. M. *Cooperative Purchasing of Farm Supplies in Mississippi*. F. C. A. Bull. 22. 59 pp. 1933. Pp. 50-55.

in the business being controlled by committees of farmers, who thereby become familiar with the problems of cooperative supply buying. Farmers who have had extended experience with assembling pooled orders and supervising car-door deliveries are likely to be well prepared to make decisions with regard to their associations' operations and policies and to decide whether warehouse operations involving considerable expense would offer a more desirable method of distribution.

It is believed that when the associations reach the warehouse stage of operation, they should change their pricing policy from the cost-plus-handling-charge basis, characteristic of car-door operation, to prices in line with those of competitors. This method permits of two major objectives for increasing the extent of service and financial stability of the associations: First, part of the operating earnings may be retained in the form of reserves to be used as additional operating capital; and second, out of the remaining earnings member-patrons may receive patronage dividends in cash, in capital stock, or in some other form, as the financial condition of the cooperative permits. Although every effort should be made to provide the most economical supply service possible, members should be led to understand that a business service entails some cost and that in operating with insufficient capital they cannot receive the maximum amount of service and savings.

The organization structure of the associations is fairly sound. Most of them, however, have failed to live up to the requirements of their charters and bylaws in such matters as collecting membership fees, holding directors' and members' meetings at specified intervals, and giving serious thought to selection of directors and determination of business policies. Too much responsibility in handling organization details has been delegated to the county agricultural agents.

The problem of personnel is still a serious one because few individuals are trained in practical cooperative methods. The cooperatives have seldom had their own managers, but have relied upon the help of the county agents. When paid managers cannot be employed, it would be preferable for committees of farmers more actively to supervise the associations' affairs and for county agents to serve only as advisors. This plan would help to build cooperative experience and develop future managers. The local associations will need to rely upon advice from representatives of the Agricultural Extension Service, especially until farmers become acquainted with the problems of operating their own cooperative business.

Distribution of supplies on a cash basis is a policy of many local associations. Although it has been necessitated by lack of operating capital, it should prove an advantage if it leads farmers to learn that cash trading, or a minimum of credit buying is a basic principle of

successful cooperative enterprise. The production credit associations have assisted materially in helping farmers to purchase on a cash basis and have thus made a real contribution in freeing them from the old costly system of retail credit.

Develop fertilizer-mixing service by local associations.—Cooperative fertilizer distribution in Georgia has been carried on by two supply associations that sell direct to farmers. The Producers Cooperative Exchange of Atlanta operates on a State-wide basis and serves principally cotton farmers in selected portions of the State, while the Sowega Fertilizer Corporation of Adel serves a relatively restricted melon and vegetable territory in the vicinity of its plant in south Georgia.

Possible benefits from further decentralizing cooperative mixing of fertilizer include lower railroad freight rates on fertilizer materials shipped to local mixing plants as compared with the higher rates applying to mixed fertilizers. Another advantage would be the stronger appeal to farmers by a locally owned cooperative with facilities in the territory served. These plants might be located at interior points beyond the territory served by trucks from Savannah.

Moreover, conditions are already favorable to setting up fertilizer-mixing equipment in certain local associations. The Sowega Fertilizer Corporation offers a successful example of a local association with a relatively small mixing-plant capacity serving a natural market territory. Furthermore, as stated above, plans are under consideration for the 4 warehouse associations of the Georgia Cotton Producers Association and eventually 8 to 10 additional such associations to provide a fertilizer mixing and general supply service in the main cotton-producing areas of the State in connection with their cotton storage and marketing activities. In a few sections of the State which could not be served economically from these plants similarly well located marketing or purchasing associations might develop an economical manufacturing and distribution service for fertilizer. In each case, fertilizer-mixing service should be undertaken only by groups of producers who have previously demonstrated successful use of cooperative methods in marketing their farm products or in buying supplies. These local cooperatives also should have a sufficiently wide territory to afford a considerable volume of fertilizer business.

Build a program of cooperative education for farmers.—As indicated above, interest of Georgia farmers in cooperative methods and principles has lagged. Many farmers still use their cooperatives simply to obtain price reductions from local dealers or, in the case of marketing associations, to get higher prices for their products. Other farmer members have consistently patronized their purchasing and marketing cooperatives and are keenly aware of their responsibility for the efficiency of their associations.

In recent years educational work in cooperative purchasing has been undertaken by the Georgia Agricultural Extension Service and the State Division of Vocational Education. Agricultural leaders, however, are agreed that more intensive coordinated educational programs would result in fuller and more intelligent participation by farmers in local cooperative purchasing enterprises.

The main responsibility for creating interest in and developing farm-supply cooperatives will doubtless continue with the Georgia Agricultural Extension Service, the vocational teachers, farm organizations, and leaders in existing cooperatives. It is suggested that in future educational work more attention be given to throwing greater responsibility upon the farmers who are participating in the cooperatives. This may be accomplished through planned programs of county and community meetings in which emphasis is placed upon understanding present-day cooperative activities and methods and the development of leaders for cooperatives.

Establish a wholesale supply cooperative.—Farm-supply business, done by a considerable number of Georgia cooperatives and amounting in 1939 to almost \$1,000,000, indicates a need for a State-wide wholesale cooperative supply association. Such an organization should offer a variety of farm-supply services.

A number of types of local associations might make up the membership of the central association. It could use many of the existing local cooperatives as a part of its distribution system. Furthermore, growth of the cooperative cotton warehouse associations and their willingness to enter the farm-supply field would enable them to become members of the central organization and serve as distributors of fertilizer and other supplies. Their present rate of growth might result eventually in 10 to 15 warehouse associations, each providing general cooperative supply services locally to farmers.

The State wholesale purchasing organization might also use the fertilizer-mixing plant of the Producers Cooperative Exchange at Savannah for mixing fertilizer to be supplied to local member cooperatives in the area adjacent to the plant. It might also arrange to provide fertilizer materials from this port plant to the interior mixing plants that may be developed by local cooperatives. Additional local distribution service could possibly be provided through the type of local sales representatives used by the Producers Cooperative Exchange. Such representatives could be employed in distributing mixed fertilizer to groups of farmers who are not organized in a cooperative association.

Arrangements could likewise be made for marketing associations to hold membership in the wholesale supply cooperative and to develop farm-supply departments of their own or arrange for their

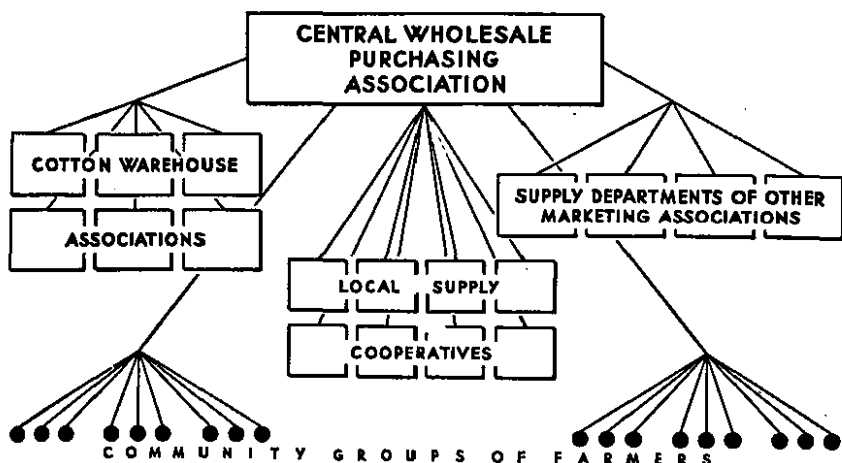


FIGURE 13.—PLAN FOR A CENTRAL PURCHASING ASSOCIATION TO SERVE LOCAL SUPPLY COOPERATIVES.

A central purchasing association should have as its members all groups of farmers that are able to provide dependable and efficient supply service.

members to be served through locally established warehouse associations affiliated with the central wholesale supply cooperative.

Figure 13 illustrates the possible organization set-up of a cooperative wholesale supply association. The association could have as its members retail distributors of four types; namely, local farm-supply cooperatives, cotton warehouse associations, the supply departments of other marketing cooperatives, and community groups of farmers. Each of these types of local distribution units should be developed so as to create the least possible competition among the cooperatives.

Encourage sound business practices by supply cooperatives.—In their efforts to build a cooperative purchasing system, Georgia farmers should be led to employ sound business practices. For example, fertilizer distributed by Georgia cooperatives has been generally of high quality. Although this practice is a sound one, it has caused some difficulty because competitors sometimes supply inferior grades of fertilizer at lower prices. As a means of eliminating this difficulty it is suggested that a program of fertilizer grades based on open formulas be set up for the main producing areas of the State, in cooperation with the State agricultural experiment stations in these areas. A State-wide program should then be conducted to acquaint farmers with the importance of open formulas as guarantees of the quality in the fertilizer they buy.

To build a cooperative supply business on a sound foundation, farmers should also be encouraged to buy on a cash basis so far as

possible. Special efforts could be made to induce them to advance payments when ordering fertilizer. To accomplish this purpose, it might be helpful to interest those farmers in each county who have borrowed from production credit associations. These individuals, having learned the advantages of cooperative credit, appreciate the advantages of purchasing cooperatively. They represent usually substantial producers, who must form the basis of a successful purchasing cooperative.

In developing strong local supply associations farmers must take an active part in the planning of the organizations, in assembling the initial basic capital, and in guiding the policies. Recent operations by some of the marketing and purchasing cooperatives have shown that many farmers are vitally interested in the services of their organizations and increasingly able to assume the necessary financial and supervisory responsibilities. Growth of this sense of responsibility on the part of farmers and of ability to handle the business problems of their local cooperatives is one of the most promising recent developments in Georgia agriculture.

Finally, in carrying out any widespread program of cooperative purchasing, agricultural producers should be represented. In establishing a wholesale purchasing organization, it is desirable to have representation among all producer groups in the State. Strong support from all agricultural organizations in setting up a standard program will prove helpful in maintaining support at later stages in its development.