

Patronage Problems of Mid-West
Producers Creameries, Inc.



**PATRONAGE
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Producers
Creameries, Inc.**

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SUMMARY

THE Mid-West Producers' Creameries, Inc., established in 1932 under the Indiana Cooperative Act, is unique among regional butter-marketing cooperatives in that it is primarily a service agency. Services rendered to its 20 member creameries in Michigan, Indiana, Tennessee, and Illinois include supervision of production methods, laboratory analysis of butter for quality and composition, arranging market outlets for butter, purchase of creamery supplies and equipment, representation of the member creameries in matters of public policy, assistance in corporate and financial reorganization of member units, and the keeping and analysis of their financial records.

Development of strong and effective locals, so that a minimum of responsibility remains with the overhead agency, has been a general policy of Mid-West. Particular attention has been given to operating efficiency and the manufacture of butter of a uniformly high quality.

Positive action to increase the number of active shippers and the interest of members in the creameries has followed three general lines:

First, the local creameries have acquainted producers with the advantages of cooperative effort and, specifically, the benefits to be derived from patronizing the particular cooperative in question. This has been accomplished through gaining the support of other farm organizations, holding meetings of present and prospective patrons, distributing literature and providing special field men for solicitation of cream and for quality improvement.

Personal contact with producers, made by drivers of cream-route trucks, is another important means of explaining the operations of the cooperatives.

Second, the creameries have substituted cream routes for cream stations and thereby have secured a closer relationship between the producer and the

creamery. During 1936, 88.6 percent of the butterfat received at all plants was procured on cream routes. Net returns to producers in general have been increased through the reduction of costs of assembly. The lowest cost of procurement for any association was 0.82 cent per pound of butterfat, and the average was 1.29 cents. Based upon the experience of a number of the plants, it is deemed advisable for additional creameries to consider the ownership of their own trucks.

Third, and most important in increasing patronage, is the ability of associations to return to their patrons high prices for their butterfat. Selected member creameries in Michigan and Indiana took a much lower margin than was taken on the average by all creameries in the State, therefore returning a higher proportion of the market value of the butterfat to the producers. The consistent increase in the volume of business done by cooperatives in these two States and the low margins taken by the cooperatives contributed to important reductions in the average margins taken between 1925 and 1936. The low level of operating costs has been an important factor in the building of support among patrons.

Creameries which are members of Mid-West vary widely in corporate and financial structure. Both stock and nonstock organizations are included. In Michigan 32 percent of the patrons were nonmembers, and 27 percent of the members were nonpatrons. In Indiana 81 percent of the patrons were members and 96 percent of the members were patrons. The three Tennessee creameries have recently been reorganizing to establish a closer relationship between patronage and membership.

The income of Mid-West is derived from dues which amount to one-eighth cent per pound of butter made by the member creameries.