

MINISTRY OF AGRICULTURE AND FISHERIES.

REPORT
ON
CO-OPERATIVE MARKETING OF
AGRICULTURAL PRODUCE IN
ENGLAND AND WALES.

(A SURVEY OF THE PRESENT POSITION.)



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TO THE SECRETARY,
MINISTRY OF AGRICULTURE AND FISHERIES.

SIR,

I HAVE the honour to submit a Report prepared in the Markets and Co-operation Branch of this Division on the Co-operative Marketing of Agricultural Produce in England and Wales. This Report represents the result of a somewhat exhaustive investigation into the present position and methods of Co-operative Societies engaged in the sale of agricultural produce. A sketch of the development of this form of co-operation during the past half-century has been included with the object of showing its beginnings and progress, while the account of the present position and trading methods is based on an analysis of the returns and balance sheets of existing societies as well as on reports supplied by the societies themselves and by the Ministry's officers. Further information on certain points is desirable, but sufficient particulars are available to justify conclusions on many important points.

The Report is strictly confined to co-operation as applied to the sale of agricultural products. The application of co-operation to the purchase of feeding stuffs, fertilisers, and other farm requisites raises somewhat different problems, and will be dealt with in a separate Report.

The whole question of co-operative trading in agricultural produce bristles with difficulties, one of the most important of which is to define what is really meant by the word "co-operative." An attempt is made in the opening chapter of the Report to differentiate between co-operative and ordinary joint stock trading, and it is obvious that some practical difference between the two must be established in order that they may be compared as methods of marketing agricultural produce.

It is not sufficient to define a co-operative society as one established under the Industrial and Provident Societies Acts. These Acts merely provide, in effect, a method of registration for legal purposes and impose certain restrictions as regards individual shareholding. They do not prescribe any particular method of trading, and a group of persons proposing to sell agricultural produce can, in most essential respects, trade equally well and in precisely the same manner whether they are registered under the Industrial and Provident Societies Acts or under the Companies Acts.

The essential principle which distinguishes co-operative trading as exemplified in Denmark and other countries where it has proved successful, lies in the fact that co-operation involves the idea of joint action by all the members for mutual benefit, that is to say, it is the banding together of producers for the collective sale of their combined produce. This is the underlying idea

which should differentiate in principle a co-operative society from a joint stock company.

The producer in this country readily understands and appreciates that kind of combined action which involves putting capital into a limited company to trade in agricultural produce. A good deal of money has been subscribed by farmers to companies dealing in milk and other farm products, and such companies may, and in many cases undoubtedly do, buy a good deal of produce from their shareholders. But there is no compulsion on them to do so, and normally the companies neither expect their shareholders to support them nor do the shareholders feel under any obligation to sell their produce to the companies.

But the position is quite different with a co-operative society. It depends on the support of its members. If it does not receive that support and has to conduct its business on the same lines as a joint stock company it has no essential advantage in competition with private traders or companies. It may retain some of the less important features of co-operation, but so far as its trading side is concerned it has lost the special feature which has made co-operative trading a real force in many other countries. Such a co-operative society may in practice prove quite successful, but its success will not be due to any intrinsic quality of co-operation.

Failure to appreciate this point is perhaps the most striking characteristic of co-operative trading in agricultural produce in this country. Producers have joined these co-operative societies and have subscribed a certain amount of capital, but, broadly speaking, there has been little realisation of the necessity for supporting the societies they have formed.

It is not too much to say that to this source can be traced the majority of the troubles of co-operative societies in this country. For the firm obligation to support societies implies and involves close attention to business principles and close supervision by the members, whose interests and welfare are so intimately dependent on the success of the organisation.

Although these principles have been clearly and definitely accepted in other countries, and although the lack of loyalty among members has constantly been declared to be the essential defect in co-operation as practised in England and Wales, persons experienced in forming co-operative societies are emphatic as to the difficulty of getting producers to bind themselves in any way or even to recognise anything of the nature of a moral obligation. Producers insist on maintaining their rights as individuals to sell their produce in the market which at the moment appears to offer the best price.

The attitude of the producer is very intelligible—he wants to get the best price for his produce. If he were whole-heartedly and thoroughly convinced that co-operative societies offered the best means of getting it, he would not refuse to support them to any degree that might be necessary. But in too many cases experience has made him doubtful, and thus we reach the position

that farmers do not support co-operative societies because they are not convinced that they will be successful, while the societies cannot be successful unless they are fully supported.

What is needed now is not exhortation as to the advantages of co-operation as a theory, or even the exemplification of its success elsewhere, but its practical application in a number of societies which can be shown as object lessons or demonstrations of how the methods of co-operation can be successfully applied to the sale of agricultural produce in this country. The examples given in this Report are illustrations of existing practice, and have not been specially selected from this point of view.

That co-operation if worked on sound principles and under good management gives the producer the opportunity of securing on the average the maximum return for his produce cannot be doubted, but it is equally true that this result cannot be obtained without the application of business methods, and it must be admitted that these have been lacking in too many cases in the past. As is pointed out in the Linlithgow Report, "there is no particular quality, virtue or magic in co-operation which will enable it to succeed without the application of the same sound business principles as are essential to the stability and success of private enterprises."

It is difficult to state in a few words the principles which are desirable in a co-operative organisation for the marketing of agricultural produce, but the examination which has been made in this Report of the various experiments already made in England and Wales suggests that farmers who are proposing to organise themselves in this way would be well advised to consider the following points :—

1. A society needs to be on a sufficiently large scale to justify the employment of an efficient manager at a fair salary. It needs an assured prospect of sufficient business to enable it to operate with overhead charges at least as low as those of any corresponding private business.

2. To ensure this sufficient volume of business, the members should each definitely contract to supply a certain agreed quantity and should recognise a liability for penalties for failure to fulfil the contract.

3. To guard against possible loss from fluctuating prices the members should agree to accept payment on account for goods until the actual cash receipts are known, and to a division of the surplus in proportion to the goods supplied.

Given reasonably good management, a society established on these lines should be able to secure for its members larger returns on the average than would be obtained by individual sale, with little risk of loss of capital. Without these conditions, the society is in the same position as any private firm engaged in a similar business—it stands the same chance of success and runs the same risk of failure.

Although the picture of co-operation which is given in this Report is rather gloomy, there are some bright spots. And it is essential to bear in mind that the lack of success in the past has been due to the fact that co-operation in the true sense of the word has never been properly applied on any scale to the sale of agricultural produce in this country. The way is therefore open for the future.

There is a further point. Such experiments in co-operative marketing as have been made in this country have been on a comparatively limited scale, and have been aimed merely at the sale of the produce of a limited number of farmers. The distinguishing feature, on the other hand, of recent co-operation in the Dominions, in America, and in Denmark has been the movement to deal with commodities on a large and national scale. Conditions in England and Wales present possibly different problems, but it is well worth the consideration of farmers' organisations whether co-operation on a large scale and under the direction of the best minds in the industry does not provide a means of securing better returns for producers than the present system of individual sale.

I have the honour to be, Sir,

Your obedient Servant,

(Signed) R. J. THOMPSON,

Assistant Secretary, Economics Division.

26 January, 1925.

CO-OPERATIVE MARKETING OF AGRICULTURAL PRODUCE IN ENGLAND AND WALES.

(A Survey of the Present Position.)

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INTRODUCTION.

The combination of agricultural producers along co-operative lines for the purpose of marketing their produce, and of performing collectively the various processes which marketing may involve, is not a new development in England and Wales, but the progress achieved is insignificant compared with that which has taken place, especially in recent years, in other parts of the Empire, in the United States and on the continent of Europe. This development has been characterised abroad by a notable change of outlook towards co-operative marketing and by an increase in serious study and careful investigation of the problems which this type of organisation involves.

The relative lack of progress in England and Wales has been explained sometimes in one way and sometimes in another, but one thing, at least, is beyond dispute, namely, that, so far as this country is concerned, there is a striking dearth of that responsible and comprehensive information which is necessary to enable the present position of the movement to be appreciated and understood and to serve as a basis for future effort and enterprise.

The present Report describes, therefore, the development of co-operative marketing in England and Wales, examines the methods pursued by a number of firmly established organisations, and discusses, generally, the more important factors which appear to contribute to success or failure in the various branches of activity with which the movement has been concerned.

CHAPTER I.—EXPLANATORY.

(i) Co-operation and Co-operative Principles.

In a general sense, co-operation is the joint action of individuals with common interests for a common purpose, but when applied to the business of buying or selling, the word "co-operative" has, by usage, assumed a significance of its own, which, in general, distinguishes an organisation so described from the usual form of association incorporated for business purposes.

Though as a rule commercial companies are incorporated under the Companies Acts, it has been found more convenient, in most cases, to incorporate co-operative associations, whether of producers or consumers, under the Industrial and Provident Societies Acts. In either case, the object of incorporation is to enable a body of persons to trade without the unlimited liability involved in a partnership; indeed, incorporation is now by law required where more than twenty persons desire to carry on a trading business.

There are certain advantages secured by incorporation under the Industrial and Provident Societies Acts, as compared with incorporation under the Companies Acts. Among these advantages may be mentioned the following: (1) the fees payable on registration are, in general, less and no *ad valorem* duty is payable on the capital; (2) the shares may be either transferable or withdrawable so that members may join or withdraw without the trouble, delay and cost of transferring shares; (3) membership and capital can be increased to an unlimited extent without the formalities necessary in other cases; (4) taxation under Schedules C and D of the Income Tax Acts is not chargeable unless a registered society "sells to persons not members thereof, and the number of shares of the society is limited either by its rules or its practice"; (5) shareholders have the added security arising out of a compulsory annual audit of accounts by properly qualified auditors; (6) mortgages and other charges need not be registered.

On the other hand, registration under the Industrial and Provident Societies Acts carries with it certain limitations, among which may be mentioned (1) the provision that the amount of capital, apart from loan stock, which may be held by a member—other than another registered society—may not exceed £200; (2) the provision that the amount of loan capital, if any, which it may be desired to raise must be stated, as to amount and security, in the rules of each registered society, and (3) the fact that industrial and provident societies cannot give a good floating charge over their stocks and other chattels which come within the scope of the Bills of Sale Acts, a point of some importance for co-operative marketing undertakings.

Since it is not the method of incorporation, itself, which determines whether an association is a co-operative association in the sense above referred to, various principles have been evolved which are, in reality, voluntary devices to secure that when the business of such an association is co-operative in motive, it shall also be co-operative in practice and that the joint action implied by "co-operative association" shall be, and remain for, the mutual benefit of the associates. Having no statutory force, these principles, when adopted, are usually embodied in the rules, or articles, under which the association is registered, and according to the extent to which they are embodied and observed, it is usual to regard such an association as more co-operative or less co-operative.

The first of these principles is that control of the undertaking should be arranged on a democratic basis and should rest equally with all members as individuals, each having equal voting power irrespective of their financial holdings. If this principle be adopted, it is ordinarily impossible to gain control of the policy and management of the association by the process of acquiring shares. This minimises the risk of the policy of such an undertaking eventually conflicting with the interests it was originally formed to serve. That is to say, if an association sets out to fulfil what is, in effect, a co-operative purpose, it must adopt the principle of equal voting power, irrespective of shareholding, if there is to be reasonable continuity of policy and motive.

Then again, when the purpose of an association is co-operative and not the mere earning of dividends for the benefit of shareholders who, though having subscribed the capital, are not, in most instances, directly concerned with the business transacted, it is a logical principle that interest on invested capital should be limited to a fixed percentage, and any surplus funds, or savings in management, returned to the shareholders, who are also the members, not in proportion to the capital subscribed by them, but in proportion to the amount of business each has transacted through the medium of the concern. Sometimes, as may happen, for instance, in the case of co-operative marketing societies, the same end is achieved by providing that the total funds realised in the disposal of produce, less the actual marketing costs incurred, are returned either as a lump sum, or in instalments, to each member in proportion to the volume and quality of the produce he has sent in, any advantages of organisation being expressed in improved returns.

A principle which is sometimes put forward as a desirable feature of an undertaking fulfilling a co-operative purpose is that membership should be unrestricted within the area of its operations. Any person having need of the services which the organisation exists to render should be free to take up shares. Such an association, therefore, in so far as it observes this principle, can never become a close corporation, nor can its capital be limited. Without this provision, its shareholders are in the

same position as ordinary investors and may secure, to the prejudice of other users, the advantages arising out of a share monopoly.

The next two principles are complementary to each other. One, almost the oldest of all co-operative principles, is that the dealings of an undertaking which exists for a co-operative purpose should be limited to its own members. The complement is that the members of such an organisation are under an obligation, either implied or expressed, to deal with it, and only with it, in the particular class of business which it undertakes. The extent of the obligation may, in practice, vary from a claim that the members should at least give a preference to their organisation, to a legal contract definitely securing their trade. An ordinary trading undertaking, on the other hand, takes the economic risk of building up and holding its market by the service it renders; it usually makes no claim to patronage beyond the quality and cost of its service.

Finally, if the motive of joint action for a common end is carried to its logical conclusion, each member of an association operating co-operatively provides his due share of the capital or credit required by the undertaking.

So far as this country is concerned, it may be said that the rules of co-operative societies registered under the Industrial and Provident Societies Acts have, in fact, been so drafted, as to provide for the adoption of some, at any rate, of these principles in the majority of cases. As the rules are binding upon the society and upon its members, embodiment in the rules is, or should be, effective in securing the enforcement of the principles of co-operation. Since, however, the rules may be amended from time to time, subject only to the due registration of such amendments, it follows that even where these principles have been adopted, their continued observance is not necessarily assured.

Attempts were made in Parliament, during 1924, to secure legislation, having for its object, *inter alia*, (1) the statutory definition of a co-operative undertaking as being one which adhered to certain recognised principles and (2) the raising of the maximum amount of individual shareholding from £200 to £400; but the measure did not pass into law. The position remains, therefore, that the adoption of co-operative principles is optional by either joint stock companies or industrial and provident societies. It follows that, from a co-operative standpoint, the method of incorporation is of substantially less importance than the principles on which an association elects to conduct its business. There is nothing to prevent any company, for example, from so drafting its articles of association as to concede the principle of "one man, one vote," to fix a maximum limit to the amount of individual shareholding and to lay down a definite qualification such as, for example,

that shares must be held by farmers only, to agree to a fixed rate of interest on capital and to the payment of patronage dividends. It is even, in theory, possible for the principle of unlimited capital to be observed, if a company is prepared to incur the expenses of re-registering its capital from time to time, and to make a fresh issue of shares, to meet demands for admission to shareholding as and when they arise. There are a few joint stock companies that do in fact genuinely adhere to many of the co-operative principles and work in an entirely co-operative spirit, however contrary this may be to ordinary company practice. Since, however, it has been found more convenient, in general, to incorporate co-operative associations under the Industrial and Provident Societies Acts, this Report deals only with co-operative marketing undertakings so registered, and takes no cognizance of any joint stock companies that may be performing marketing functions on a more or less co-operative basis.

(ii) The Economic Basis of Co-operative Marketing.

The more important business ideas which are embodied in co-operative marketing organisations may be briefly mentioned.

The basic conception is that groups of producers agree to market their output together through their own organisations; thus, as has been fully recognised in other countries, a guaranteed supply of produce forms the economic basis upon which such an association builds itself up and the fact that this depends in the first place upon membership-loyalty and not upon the attraction of the price paid by the society for the produce, differentiates it from the system of intermediaries with which it competes. A co-operative marketing association established on such a basis starts, therefore, with a definite volume of business which reduces its risks and simplifies the work of organising its plant, its management, and its markets. It is partly by the economies involved in dealing with a known volume of business that societies should be in a position to make savings in marketing costs.

Closely allied with this factor of assured supply is the view that group-marketing is more efficient under most conditions of agricultural production than is individual sale. This applies not merely to the limitations of the bargaining strength of small-scale producers, such as farmers, when compared with organised buyers, but also to the services which a farmer may require in order to secure the best available market for his produce. These services may include the bulking of produce to secure favourable transport rates, the classing, grading, preparation, packing and despatch of produce, as well as services such as storage, preservation, carrying-over of stocks, search for trade-outlets, advertisement and the regulation of the flow of produce into markets in accordance with the estimated demand.

A further aspect of co-operative marketing undertakings is that, as compared with the merchant system, they represent

the producer's interest and his effort to control, as far as he is able, the marketing of his own produce. They are, therefore, an indirect measure of the margin of marketing costs; they constitute a producer's method of testing the reality and necessity of the marketing services which intermediaries commonly render in placing produce in the hands of consumers; they test each link in the marketing chain and their natural outcome would be to reduce such links where possible.

In these three general characteristics of co-operative marketing will be found much of the philosophy of the movement. They will be elaborated and expanded in the analysis which follows.

CHAPTER II.—EARLY MOVEMENTS TOWARDS CO-OPERATIVE MARKETING, 1870-1901.

The peculiar feature of co-operative marketing in England and Wales as it exists to-day is that, while there are many instances of successful societies, these have the character of individual achievements and cannot be regarded as evidence of a successful system. Nor is this true of one branch only of the agricultural industry; in every department, in dairying, stock-raising, pig-farming, poultry-keeping, fruit-farming and market-gardening, corn-growing and in the sale of wool, there are to be found co-operative associations undertaking various marketing functions with a fair measure of success. In some cases, they have a long record of prosperity and many are of considerable size. Yet, in no branch of the industry, has anything approaching a general, or national, system developed. Indeed, the diversities of size, function and method of the societies are so great that no one society can be regarded as typical; at best one or two small groups exist of individual societies having one or more characteristics in common.

In Denmark, as is generally known, co-operative marketing was from the first a farmer's movement and its origin is traceable to the difficulties of Danish agriculture after the loss, in 1864, of Schleswig Holstein. The movement was, no doubt, assisted by the system of adult education which, besides explaining and recommending co-operation to the farming community, also tended to give a uniform character to its progress. No similar set of circumstances obtained in this country and, prior to 1901, when the Agricultural Organisation Society was formed, there was no central organising or propagandist body to advocate the combination of farmers for their own benefit. Consequently, in the early days, such co-operation between farmers as did take place usually arose from the efforts of progressive individuals, generally landowners, who saw in it a means of improving the welfare of the industry.

This was the case with the first considerable development of combination for marketing in England, namely the cheese factories of the Derbyshire and Staffordshire hills. In 1868, the Royal Agricultural Society discussed the question of adopting the co-operative factory method of cheese-making and decided to seek information regarding the American methods which were threatening the cheese-making industry of this country. The subject naturally attracted great attention in Derbyshire and Staffordshire. Dairying, in those days, was a much less complex business than it is to-day. Little or no milk was sent by rail from the country to the towns and what was so sent was sent short distances only. The dairy farmer, if he were not living adjacent to a town, had, in consequence, an extremely limited market for liquid milk and depended for his livelihood

on his output of butter and cheese. Nowhere was this more true than in such districts as the hill-country of Derbyshire and Staffordshire where cheese-making on the farm was an all-important part of the dairying industry, and where, in consequence, the competition of factory-made cheese from America was felt with ever-increasing severity. Investigations were carried out which culminated in a report presented to the Derbyshire Agricultural Society on the 25th February, 1870. This report recommended the erection of two factories, one at Derby and the other in a dairying district in the county. The report was adopted and factories were established at Derby and Langford, the latter for cheese-making only. Two American cheesemakers were brought over to start the enterprises; shortly afterwards the first English factory made its first cheese.

These factories were not at that time co-operative societies as the term is generally understood. The finance was provided by a guarantee fund, raised among the landlords, amounting to £5,000. But before the third year, the farmers released the guarantors and, assuming all responsibility, undertook the management of the factories for themselves.

So successful were the first two factories that both Denmark and Russia sent students to take courses at them. Other factories were soon erected at Gratton, Croxden, Reapsmon, Ivanbrook Grange, Hartington, Etwall, Hopedale and elsewhere. The factory at Hopedale introduced the principle that users should contribute capital on a pro rata scale according to the number of cows they possessed, and is of particular interest on that account. All these factories were built on American lines, the plant being made locally from American patterns. They were generally designed to deal with the milk of 450 to 500 cows, which was considered at that time the economic unit.

The subsequent history of the factories was, however, unfortunate. From an early period, the opposition of the cheese factors appears to have led to trouble. An early balance sheet refers to "the cost incurred in disposing of cheese in a distant market caused in some measure by the extraordinary and unexpected jealousy and dislike with which the movement is viewed by some factors of considerable influence in the trade." The factors refused to buy at certain seasons, forcing the producers to accumulate stocks. When the market, in due course, became depressed, the factors appear to have played off one enterprise against another and to have undermined the confidence of all. Some of the factories failed through this cause; others were affected, in course of time, by changes in the dairying industry itself. Yet there are still in the district a number of factories which can trace a more or less direct descent from the early days, and are now registered co-operative societies. Their purpose is no longer precisely the same as that of the original factories which were formed when there was merely a local and limited demand for liquid milk. Now, owing to the development of railway and motor transport,

the principal aim of the societies, as of the farmer, is to sell as much liquid milk as possible, and to manufacture cheese from surplus milk only.

These developments in Derbyshire, some fifty years ago, did not lead to any noticeable extension of co-operative dairying elsewhere, and in January, 1901, after some thirty years, only thirteen registered dairy societies existed. This total excludes those of the surviving cheese factories originally established in the Derbyshire and Staffordshire area which had continued on a non-co-operative basis, also those co-operative societies dealing mainly in farmers' requisites which had taken up, to a greater or less extent, the sale of dairy produce. Towards the end of this period, efforts were made to stimulate the co-operative marketing of eggs and poultry. These will be referred to later. No general attempt appears to have been made to organise the co-operative sale of any other agricultural products.

Meanwhile, the growing success of the co-operative movement in Denmark and Ireland and the depression of English agriculture in the 'eighties and early 'nineties led to renewed interest in the movement generally. A committee had been appointed by the Council of the Central and Associated Chambers of Agriculture in 1891 to discover "by what means the organisation of the Chambers could be utilised so as to promote the co-operative principle for the benefit of all its members in the purchase of farming requisites." Although the report of this Committee deals with the purchase of requisites, the view is expressed, in its final paragraph, "that if successful in the establishment of co-operative associations for the purpose of purchase, such organisations would almost certainly conduce to their utilisation for purposes of sale, especially of those products for which the price now paid by the consumer is so strikingly in advance of that received by the farmer." Here may, perhaps, be observed the germ of the general-purpose society.

In 1896, the Report of the "Recess Committee on a Department of Agriculture for Ireland" attracted much attention and brought the subject of agricultural co-operation prominently before agriculturists, particularly in connection with the assistance and encouragement which the Governments of many continental countries were extending to various branches of co-operative activity. In the same year, the Council of the Central and Associated Chambers appointed a further committee "to enquire into the extent to which the co-operative principle has been applied in this and other countries to the sale of agricultural produce; whether it is feasible and desirable to promote its further extension; if so, what means are best adapted to that end." The report of this committee is of importance since it suggests, for the first time, the desirability of some central body being established to foster the growth of co-operation, and it is of interest to note that it regarded the formation of such a body as of particular value for the encouragement of co-operative marketing. The report stated that "co-operation for purchase

“ and co-operation for sale form two separate problems; and
 “ that the solution of the one is easy, while that of the other is
 “ extraordinarily difficult.” In regard to co-operation for sale
 they considered that, notwithstanding the admitted difficulties,
 associations of producers in particular districts for the joint
 disposal of certain classes of produce would be advantageous;
 and they proceeded “ It is not to be expected, however, that
 “ such associations will arise spontaneously. They are only
 “ likely to be started, even where they may be most desirable,
 “ as the result of an organised and systematic mission to explain
 “ the principle of co-operation, the probable advantages of its
 “ adoption in each particular case, and the constitution, rules,
 “ and procedure which must be followed if the harmonious and
 “ successful working of co-operative associations is to be assured.
 “ In short, work similar to that done in Ireland by the Irish
 “ Agricultural Organisation Society would need to be done in
 “ this country by a purely propagandist body.”

It is clear from the above quotation that it was at that time
 thought that the functions of an Agricultural Organisation
 Society, if one were to be formed in England, would be largely,
 if not mainly, concerned with co-operative marketing. This was
 in 1898. In the previous year, the Royal Commission on
 Agriculture issued its final Report and remarked on the extreme
 importance of co-operation and organisation on the part of
 agriculturists with a view to consigning their produce to market
 in bulk, and the possibility of coming to special and better terms
 with the railway companies.

The Agricultural Organisation Society was not, however,
 formed until 1901. In the interim; an experiment had been
 tried and failed which led to a change of view regarding the
 wisdom of pursuing co-operative marketing methods in this
 country.

In 1894, the Earl of Winchelsea had formed a body known as
 the National Agricultural Union which, in its inception was a
 quasi-political organisation. In 1896 he took a further step
 in organising, under the auspices of the National Agricultural
 Union, a limited liability company with a capital of £50,000
 —the British Produce Supply Association. This association
 had wide and ambitious aims. The object was “ to assist the
 producer in the disposal of his produce at every stage from the
 farm to the market,” and it proposed to do this by establishing
 depôts in country districts for the direct sale of agricultural
 produce, by selling on commission through salesmen of its own
 in London and the principal provincial markets, by establishing
 abattoirs and butter factories in suitable districts and generally
 by organising a better system for the collection of produce in
 rural areas.

The association was not co-operative. It probably had
 little farmers' capital and there were no farmers on the board of
 directors. It was a joint stock concern established with the
 object of helping farmers, but, as it took for its motto

“Co-operation for Farmers,” it was commonly though erroneously regarded as an experiment in agricultural co-operation.

The history of the association can be briefly told. A shop was taken at Long Acre, London, which, at the start, was well patronised. One or two local associations were formed. The association also obtained stalls in Covent Garden Market and the Central Meat Market. Difficulties soon appeared. There was, for example, no guarantee of regular supplies, while the producers appear to have expected that an association started in their interests would give them a good price for their second-rate qualities; their best they sold to the ordinary commission men and dealers. West-end patrons found, therefore, that not only was it inconvenient to go to Long Acre for their supplies, but that they could not depend on them when they did. Their patronage steadily declined and the business made an increasing loss, which at times amounted to £250 a week. An effort was made, in June 1899, to retain the West-end trade by moving from Long Acre to Lower Seymour Street, but it became evident that failure could not be averted, and, in 1900, the association was wound up. This incident brought the co-operative marketing movement into unmerited disrepute and tended to divert the energy of would-be organisers into other and more hopeful channels.

It may be of interest to conclude this survey of the early stages of the movement by reproducing the following extract from the *Canadian Gazette* of April 18th, 1895, which was brought to the notice of the Royal Commission on Agriculture* above referred to :—

“ This then is the sad case of the British farmer: He
 “ sees new times upon him, new countries where land is
 “ cheaper and the soil is more responsive, and where
 “ farmers work in complete co-operation, pour their pro-
 “ duce into the shops in his very village, and he bemoans
 “ his fate, and after a poor effort single-handed to stem
 “ the incoming tide, accepts what he deems the inevitable,
 “ and perhaps with broken spirit and almost empty
 “ pockets starts off with his family to see what he can do
 “ to feed England from abroad. Yet the fault is largely
 “ the farmer’s own. He has the best market at his very
 “ doors, but he never gives a thought to the art of putting
 “ his goods upon that market in the businesslike way
 “ which his rivals have mastered. There is, as Lord
 “ Winchelsea says, something almost pathetic in the
 “ thought of the English farmer, with his poor consign-
 “ ments of 1 cwt. or 2 cwt. of meat, all hanging on hooks,
 “ of which the railway company is obliged to be so careful,
 “ and to charge him so much extra for looking after, side
 “ by side with the tons of imported meat, each piece

* C. 7871, Report by Mr. Wilson Fox, Assistant Commissioner, Royal Commission on Agriculture, 1893.

“ wrapped in its own canvas covering and so well able to
“ look after itself; his unwieldy masses of forage, taking
“ up twice the room of the neatly-trussed foreign hay;
“ his round boxes, which the officials despairingly seek to
“ fit into the square trucks. The farmers of Canada, the
“ United States, France, and Denmark, cannot, in the
“ mass, know more of the English market than the English
“ farmer does, but they band themselves together in
“ factory system and similar methods of co-operative
“ farming, they employ men whose business it is to keep
“ in close touch with English tastes, and tell each
“ producer how to meet them; and if the English farmer
“ would regain his footing in English markets, he too must
“ learn the art of co-operation.”

CHAPTER III.—THE PROGRESS OF CO-OPERATIVE MARKETING.

In subsequent sections of this Report, the progress of the co-operative marketing movement during the period from 1901 to 1914 and from 1914 to 1924 is separately described as regards each group of agricultural commodities. The following is a brief survey of the main events and influences which affected the movement as a whole during that period.

(i) 1901 to 1914.

Reference has already been made to the suggestion put forward, in 1896, that an Agricultural Organisation Society for England and Wales should be formed. The first attempt to form such a body took place in 1900, when the British Agricultural Organisation Society was started at Newark. In the following year, this body was merged with the National Agricultural Union, and a new body, the Agricultural Organisation Society, was constituted as a non-party and non-trading organisation and registered under the Industrial and Provident Societies Act. The object of the society was not to encourage co-operation in particular, but rather the business combination of farmers for their own benefit, although holding at the same time that co-operation and registration under the Industrial and Provident Societies Act was the form which that organisation could most safely and advantageously take in existing circumstances.

It is worthy of note that the first president of the society, Mr. R. A. Yerburch, had been closely associated with Lord Winchelsea, whose unfortunate experience with the British Produce Supply Association has already been described. Hence, although "co-operation for the sale of produce" was one of the earliest objects of the society, as set out in its rules and programme, there was not, unnaturally, a cautious tendency in that direction. Indeed, this seems to have been the attitude generally. At the first annual meeting of the society in 1902, Mr. Hanbury, then President of the Board of Agriculture, put the purchase of requisites in the forefront as one of the most useful aims to which co-operators could devote themselves. In another speech, a few months later, at a Conference on Agricultural Co-operation held at Aberystwyth, he gave as his opinion that "Co-operation is much more valuable for buying than it is for selling produce." This outlook prevailed throughout the early years of the society and explains the relatively little progress made in the organisation of co-operative sale during the first eleven years of the society's existence. A memorandum drawn up in 1912 on the occasion of the society's reconstruction makes this clear. After a description of the obstacles in the way of successful co-operative

marketing, the memorandum proceeds: "Influenced by considerations such as these and ever bearing in mind the unfortunate trading experiences of Lord Winchelsea . . . the Agricultural Organisation Society decided from the outset against any hasty action in the development of schemes for co-operative sale. In the course, however, of eleven years' experience, the society has accumulated valuable information and expert knowledge which might be used in the development of this especially difficult phase of co-operative effort, and the question arises whether much more should not now be done in this direction."

It should be borne in mind also that, in its earlier years, the Agricultural Organisation Society was supported solely by private donations and subscriptions and by contributions from affiliated societies. Its income was small, and even when, in 1908, it began to receive grants from the Small Holdings Account of the Board of Agriculture, this portion of its income was ear-marked for the development of small holdings and allotment undertakings. It was not until 1912 that grants were forthcoming from the Development Commission sufficient to enable the society to increase the scope of its operations. In these circumstances, propaganda work was necessarily limited in the early days, yet the breadth of the society's appeal created activities for it of the most diverse character, and it was forced by the pressure of events to diffuse its energies over a wide field. Societies for the purchase of farmers' requisites were its first consideration, but it also helped to form a number of marketing societies, while, apart from its activities in connection with small-holdings and allotments, the problems of credit societies, land-renting societies, and schemes of co-operative insurance also engaged its attention. It would have been difficult, therefore, in any event, for the society to have devoted adequate attention to the claims of marketing.

(ii) 1914 to 1924.

It was thought, at the time, that the war would accelerate the promotion of new co-operative enterprises among farmers and would increase the activities of those already in existence. These anticipations were, however, not realised, at any rate in the early stages of the war. The uncertainty of prices and of the future generally made societies hesitate to take advantage of new opportunities, and farmers reluctant to embark on untried ventures or to involve themselves in fresh obligations. Moreover, the general rise in prices gave farmers satisfactory returns and removed any pressing incentive to develop new methods of disposing of their produce.

In these circumstances, and having regard to the prevailing transport difficulties, the general policy of those responsible for the direction of the movement was to encourage the development of societies already in existence rather than the creation of new undertakings. In particular, societies trading in

farmers' requisites were encouraged to take up the distribution of their members' produce, primarily with a view to supplying the army. Later, many of these societies established departments of their own to deal with milk, wool and meat, and other commodities. Marketing societies were also advised to extend their trading relations with the industrial co-operative movement, with a view to increasing the quantities of produce supplied direct to the consumer.

Gradually, as transport facilities improved, the societies trading in farmers' requisites began to make progress and steadily increased in membership, farmers, as individuals, being in a less favourable position to obtain supplies than societies with bulked orders. On the other hand, produce-marketing societies, as such, received a check; those dealing in eggs and poultry, for example, had actually decreased in number by the end of 1915.

It was not until early in 1917, when definite steps were being taken to increase supplies of home-grown food, that co-operative marketing began to make some advance, but the movement was still in too rudimentary a state to take any effective part in the control of the distribution and prices of agricultural produce which was then being undertaken by the Ministry of Food. "If British farmers had been organised on co-operative lines as completely as Danish and New Zealand farmers, the problem of control would have been more easily solved. English and Scottish farmers' co-operative societies might then have exercised control on behalf of the Government, and instead of a bureaucratic organisation imposed on them from above, which farmers naturally found irksome and oppressive, there would have been responsible self-government in the marketing of agricultural products, tempered only by full publicity as to costs and prices."*

From then onwards, however, until the termination of the war, the number of agricultural co-operative societies of all kinds steadily increased. Co-operative marketing organisations showed the greatest advance until, at the end of 1918, their number had increased by about 60 per cent. over the average number in existence during the first three years of the war. Co-operative marketing was still, however, a relatively insignificant development, and it is at first surprising that more was not accomplished during the war period. The lack of any floating surplus of organising ability and of labour generally, but particularly of clerical labour, which would have been necessary to set new organisations going and to keep them on their feet may afford a partial explanation. It is true also that, as the war dragged on, conditions generally grew more and more unfavourable to the formation of private organisations; few, if any, new trading firms were formed in any line of business; the initiative in the economic life of the country passed into the hands of the State.

* "Experiments in State Control," E. M. H. Lloyd. Economic and Social History of the World War. British Series.

Further, the adoption, under Government control, of a national policy of distribution, on a datum-period basis, conducted through the customary channels of trade, not only retarded development of existing co-operative societies, both of producers and consumers, but delayed the formation of others.

With the cessation of hostilities, co-operative organisation appears to have made greater strides. During the year 1919 alone, although owing to amalgamations and fusions there was a falling off in the number of societies, the total membership increased by over 40 per cent. and the capital invested by over 100 per cent. The policy of the Agricultural Organisation Society at that time was to advocate the formation, either by the fusion of smaller societies or otherwise, of large-scale multiple-purpose societies covering a county, or portion of a county, the operations of such societies being based on the principal market towns, their turnover to be large enough to warrant the employment of competent and well-paid managers and their aim to be the intensive working of the particular areas they served, so that, as time went on, their membership would increase from within and not from without. It was realised that, in the past, the formation of societies had proceeded spasmodically, without due regard to the importance of area organisation. It was felt also that many of the leading farmers who had hitherto been inclined to regard co-operation as only useful for the small producer would readily join a large society if the prestige of a county were behind it. A national campaign was launched by the Society in 1919 to carry through this scheme of organisation.

In advocating the formation of multiple-purpose societies, the Society appears to have laid emphasis on the exercise of a multiplicity of functions on the buying side, rather than the immediate development of co-operative sale. Control was still imposed by the Ministry of Food on most agricultural commodities, so that comprehensive schemes of co-operative marketing were, in any event, out of the question. In a few instances, however, where such societies were formed by the fusion of smaller units, including one or more marketing societies, the new organisation continued the specialist marketing operations such as, for example, the distribution of milk or the sale of live-stock, which the smaller units had previously performed.

An important factor at this stage was the increased grants from the Development Fund made to the Agricultural Organisation Society. In 1919, an arrangement was made between the Ministry of Agriculture and the Society whereby extensive grants, on a gradually diminishing scale, were to be made for four years, at the end of which time it was anticipated that the society would become self-supporting and the need for further State assistance disappear.

The arrangement referred to was as follows :—

For the year 1919-20 :—

(a) A block grant of £16,000.

(b) An additional grant, not in any case exceeding £20,000, equal to four times the income from members' subscriptions and societies' contributions in 1918-19.

(c) A loan of £15,000, secured on a first mortgage of the society's new building, at 5 per cent. per annum, but free of interest to 31st March, 1922.

For the year 1920-21, a grant equal to four times the contributions and subscriptions raised by the society for 1919-20, but not exceeding £28,000.

For the year 1921-22, a grant equal to twice the contributions and subscriptions raised by the society for 1920-21, but not exceeding £22,000.

For the year 1922-23, a grant equivalent to the contributions and subscriptions raised by the society for 1921-22, but not exceeding £15,000.

A condition of the above arrangement was that the society agreed that no further applications should be made by them for advances from the Development Fund for the organisation of co-operation among farmers. The sums actually paid to the Agricultural Organisation Society under the above agreement were as follows :—

1919-20	-	-	-	-	£51,000
1920-21	-	-	-	-	£28,000
1921-22	-	-	-	-	£11,586
1922-23	-	-	-	-	£4,556

In 1920, agricultural co-operation in this country reached its highest point as regards turnover, trade to the value of over 17½ millions sterling being credited to farmers' co-operative organisations. Of this amount, 6½ millions represented the proceeds of the co-operative sale of produce, in so far as this was separately recorded. The year 1921 was, however, a year of steeply falling prices, which overtook many societies before they were sufficiently established to meet it; heavy losses were incurred, as, indeed, by traders generally, and a number of societies found difficulty in surviving, though actual failures were few. In some cases also, societies, both old and new, had gone ahead too rapidly in the boom period and had traded on too ambitious a scale in proportion to their capitalisation, financing themselves mainly by loans and bank-overdrafts. In a period of falling markets and tightened credit, such methods not merely led to difficulties, but their continuance in a general way was impossible. Management and general business administration were put to a very severe test, and in some cases errors were made, particularly by the newer undertakings, from which the societies concerned are only now recovering. It is not surprising that, in these circumstances, the hopes of extending agricultural co-operation into a movement of national proportions, by a special effort in a few favourable years, were not fully realised.

The trend of agricultural prices, during 1922, continued downwards. By 1923 the position had been reached that while the prices received by farmers for many commodities remained low, if not, in some cases, unremunerative, the retail prices of food stuffs generally were relatively high, causing both producers and consumers to regard with uneasiness the methods and costs of distribution. The producer looked to the possibility of taking over some, or all, of the distributive processes so as to add the profits of the middlemen to the scanty returns of production; the consumer, for his part, was inclined to believe that the methods of distribution were inefficient and unnecessarily costly, and that, somewhere, unreasonable intermediate charges and profits were being made. Farmers could, therefore, count on the understanding and support of the public in any steps that they might take to improve their marketing organisation.

At this time, the Departmental Committee on the Distribution and Prices of Agricultural Produce, presided over by the Marquess of Linlithgow, and the Agricultural Tribunal of Investigation both gave considerable attention to the question of agricultural co-operation. This outline of events would not be complete without brief quotations from their findings. Both bodies regarded the progress of agricultural co-operation as disappointing, and both, it would appear, were convinced of the desirability of its extension. The Departmental Committee, referred to subsequently in this Report as the Linlithgow Committee, remarked that although the British farmer is usually a keen business man, yet "he shows little inclination " to associate with others in large-scale groups to employ " the skill and talent necessary to enable him to compete " effectively with imported supplies. The result is that farmers " tend to compete with one another, and thus depress the " price of their own produce without affecting materially " the position of their overseas competitors, who, in the " market, combine to function more and more as a limited " number of large-scale trading units."* In the Final Report† of the Tribunal, the majority express the view that "Nothing " stands out more markedly in a comparison of British and " foreign agriculture than the backwardness of co-operation in " this country. Rapid strides have been made and are being " made in the British Overseas Dominions, but in England, " Scotland and Wales headway has been relatively slow. It is " true that in distant countries, relying on export to foreign " markets, a special incentive is upon the farmer to co-operate, " but this will not account for the backwardness of England. " Denmark had this incentive, Germany and Belgium did not, " yet these have had a progress in agricultural co-operation as " remarkable in their own way as that of Denmark. In Germany,

* Committee on Distribution and Prices of Agricultural Produce. Final Report; Cmd. 2008.

† Cmd. No. 2145.

“ agricultural produce, during the period of co-operative development, has also been protected against foreign imports by substantial tariffs. Everywhere co-operation in one form or another has been recognised as a better way of economic organisation, and England has undoubtedly suffered by not having a system comparable in its economy and efficiency with that of foreign countries.” In the minority report, the view is expressed that “ apart from what may be considered as matter of example in the older countries which are on balance importers of food, the effect of organisation in new countries on their power of export is of more importance to this country than to any other, and its farmers can least of all afford to stand outside a defensive organisation of their own.”

In 1924, the Government, as evidence of its desire to encourage and facilitate the co-operative marketing of home-grown agricultural produce, introduced a scheme of long-term loans on generous terms to facilitate the acquisition of premises, plant and equipment by new or existing societies engaged in marketing, and a sum of money was set aside by Parliament for the purpose.

In July, 1924, a Conference on Agricultural Co-operation in the Empire was held at the British Empire Exhibition, and, for the first time, afforded an opportunity for the interchange of views and experience regarding the principles and functions of agricultural co-operation between those associated with the movement in these islands and representatives from overseas. The addresses delivered by the Dominion representatives were illuminating and impressive in the glimpse which they afforded of the high pitch of organisation among farmers for marketing purposes in their respective countries, with usually the British market as the particular objective.

The year 1924 was also noteworthy in the history of co-operation by reason of the fact that the Agricultural Organisation Society which, as the agent of the State for the promotion of agricultural co-operation, had directed the fortunes of the movement for some 23 years was brought to an end.* The grants which the society received from the State in aid of its work ceased in the financial year 1922-23, in accordance with the arrangement referred to, except as regards a small grant for propaganda work for a limited period in connection with agricultural credit. The voluntary income from private subscriptions and from affiliation fees, on which the society could rely, was found to be inadequate to enable it to continue its useful work. In coming to the decision to wind up the society, the governors were influenced by the growth in importance and representation of the National Farmers' Union, which commanded the support

* The Welsh Agricultural Organisation Society was separated from the Agricultural Organisation Society in 1922, and still continues in existence. That part of the work of the Agricultural Organisation Society which related to Small Holdings and Allotments is also being continued by a society specially constituted for the purpose.

of the general body of farmers throughout the country. It was felt that, in existing circumstances, there was no room for any other central body such as the Agricultural Organisation Society. The view was accepted that co-operation must be a farmers' movement, a movement by farmers for farmers: and that it must spring from within and not be imposed from without. From this point of view, the National Farmers' Union was obviously the organisation to concern itself with co-operative developments; it has now accepted the responsibility.

(iii) The present extent of the movement.

As a preliminary to a description of the working conditions of each class of co-operative marketing undertaking, a brief survey of the present extent of the activities of such organisations may now be given. The figures are taken from the returns furnished to the Chief Registrar of Friendly Societies in respect of the year ended March 31st, 1924. The numbers of societies registered differs, however, from the number of societies trading for two reasons: (1) a society may be registered but may have conducted no business within the year, and (2) a society may be so recently registered that it has not completed an actual trading year. Further, the returns include both societies which deal in farmers' requisites and also sell produce, and those societies which sell produce only.

Some idea of the present extent of the co-operative marketing movement is shown in Table I., page 176.

It will be seen that the total sales of marketing societies and/or societies with marketing branches, apart from sales of cereals, hay, seeds, and potatoes by general trading societies, amounted, in 1923-24, to nearly 5 million pounds, or roughly about 3½ per cent. of the total value of agricultural produce marketed in England and Wales. In the light of these figures, it can hardly be said that co-operative marketing has passed beyond the experimental stage, or can be regarded as a serious factor in market distribution.

Table II. shows the distribution of co-operative marketing societies throughout the country, and seems to indicate that there are few areas where co-operative marketing has found conditions peculiarly favourable to its growth, and none where it can be said that co-operative organisation is the characteristic form of the marketing of its produce. In the case of the industrial co-operative movement there are certain underlying economic conditions which have assisted development in districts like Lancashire, the absence of which in other areas makes it difficult for the movement to gain any hold at all, but this does not seem to be the case in agriculture. This negative result suggests that the backwardness of the movement is due to general causes rather than to the presence or absence of any special economic factors.

CHAPTER IV.—MILK AND DAIRY-PRODUCE SOCIETIES.

(i) Development.

(a) 1901 to 1914.—Reference has already been made to the fact that, in 1901, some thirty years after the pioneer efforts in Derbyshire and Staffordshire, only thirteen registered dairy societies existed. These had increased to 35 at the end of 1913, but they remained scattered and isolated bodies, each solving its own problems in its own way. A number of them had grown into large concerns, the annual turnover in milk and dairy produce of each of the four largest amounting to over £100,000. In addition, there were a number of societies dealing primarily in farmers' requisites which had added the sale of dairy produce to their customary activities. Mention should also be made of a new departure in co-operative enterprise, namely, the formation in 1911 of the Retail Dairymen's Mutual Supply, Ltd. (London), which was designed to safeguard the interests of retail dairymen serving that area. The society was registered under the Industrial and Provident Societies Acts and, by affiliation to the Agricultural Organisation Society, aimed at establishing direct touch and entering into contracts with dairy farmers' organisations and with individual dairy farmers throughout the country.

The methods adopted by the dairy societies appear, in many cases, to have varied widely from those originally adopted in Derbyshire and Staffordshire. Local conditions were usually the determining factor. In parts of Cornwall, for instance, owing to the distance from good liquid-milk markets and to inconvenient transit facilities, buttermaking was practically the only feasible method of dealing with the milk produced. Societies in proximity to consuming areas, or enjoying good transit facilities, endeavoured, on the other hand, to sell as much as possible of their members' supplies in the form of whole milk, usually to the retail trade, the manufacturing of butter or cheese being subsidiary and only resorted to as a means of utilising supplies for which outlets could not otherwise be found. A number of societies also engaged in retail distribution, and as early as 1902 at least two were supplying sterilised milk. Many of the societies were equipped with up-to-date plant for the proper handling of the milk, as well as for manufacturing surpluses. Indeed, it appears to have been the view that societies dealing with whole milk should aim at developing and perfecting alternative methods of disposal and, according to the season and to the state of the market, should be prepared to sell their milk as fresh milk, separate it for cream, or to make cheese, cream-cheese, or butter, as might be convenient or desirable. Many of the dairy societies also sought to benefit their members by undertaking the bulk purchase of cakes, meals, implements,

manures and other agricultural requirements. Some also took up the sale of poultry and eggs. In a few cases, societies appear to have resorted to contracts with their members in order to ensure regular supplies. The Scalford Dairy, in Leicestershire, is an example. In that case, each milk supplier entered into a bond to supply the dairy with milk from a stated number of cows for an agreed period.

(b) 1914 to 1924.—The number of dairy societies in existence increased from 35 at the end of 1913 to 54 by the year 1924, but of the original 35, 23 had either gone out of existence or ceased their dairying business. Many of these societies also dealt in members' requirements. In addition, there were 9 societies in 1924, which, though dealing mainly in farmers' requisites, also operated a dairy branch for the disposal of their members' supplies, and a number of other trading societies which handled small quantities of dairy produce incidentally to their general business.

It is interesting to note that a marked increase in co-operation in dairying took place in the years following the formation of the United Dairies, Ltd., commonly known as the London Milk Combine, which took place in the year 1915. The number of co-operative dairy societies, which had been practically stationary for some years, increased from 35 in 1916, to 76 at the close of the year 1919, while the number of depôts controlled by these societies increased from 37 to 102. This result is partly due to the formation of societies as a result of the co-operative cheese scheme which will be referred to later. There is little doubt, however, that many dairy-farmers supplying the London market regarded, with uneasiness, the growth of the milk combine and the fusion which it involved of a number of London wholesale firms in one purchasing organisation with a large outlet control. These apprehensions are referred to in paragraph 80 of the Final Report* of the Astor Committee on the Production and Distribution of Milk, and led to the consideration of a plan to form local organisation of farmers which could eventually be federated into a parallel combination. Preliminary steps in this direction were taken in the year 1916, when a federation of dairy societies was formed with the support of various farmers' organisations, but the scheme was not apparently proceeded with.

When, in 1917, the Ministry of Food assumed control of milk, the organised planning of the wholesale trade was found to be the first essential. The existence of a large number of wholesale factories afforded a ready means of regulation, about eight hundred wholesale firms being taken over. It was even proposed that the State should become the sole wholesaler, and preliminary negotiations with the large wholesale concerns, including farmers' co-operative societies, were entered into to determine the basis on which their interests could be acquired. The plan fell

* Cmd. No. 483 (Final Report).

through for various reasons, among which was the hope that wholesale milk distribution would be managed after the war by farmers' co-operative societies.

The scheme devised by the Ministry of Food provided that wholesale dealers in milk should only operate under licence. In producing areas adequately served with wholesale facilities, the issue of licences was restricted to establishments, both private and co-operative, already in existence, and this, while it strengthened existing societies, prevented the establishment of new co-operative undertakings in these districts. The areas in which licences were obtainable were mainly those from which milk had not hitherto been exported to consuming centres to any great extent, the opening up of these new sources of supply being an important feature of government policy. Here there was less paralysis of co-operative effort; fourteen new societies, for example, were formed in such areas in 1918, six of which received Government loans to facilitate the establishment of depôts under a scheme drawn up in pursuance of the recommendations of the Astor Committee.*

In February, 1920, milk and home-produced milk products were decontrolled, and the restriction on wholesale licences relaxed. A general increase in the number of dairy societies might then have been possible had not the suddenness of decontrol and the collapse of milk prices thrown the whole industry into a state of chaos. The prices fixed under control were the basis of many milk contracts, and as farmers and wholesalers had counted on their maintenance until the termination of the ordinary contracting period, the existing dairy societies, in common with wholesalers generally, were exposed to the risk of serious loss. Weather conditions, and the temporary excess of supply over demand, aggravated the situation, but whereas the dairy societies had to face the position as so many struggling and competing units, in many instances inadequately capitalised, the trade, as a result of consolidation, presented a more or less united front.

The inherent weakness of the producer as a seller in the then existing circumstances led to the formulation in 1920 of a scheme which might have had far-reaching consequences. This had for its object the fusion of producing interests, as represented by the dairy societies and by dairy farmers generally, with the distributing interests represented by the milk combine. The proposal originated with the Associated Milk Producers Council, a body representative of the National Farmers' Union, the Central Chamber of Agriculture, the Central Association of Dairy Farmers, the British Dairy Farmers' Association, and the Agricultural Organisation Society. After prolonged negotiations with the combine a scheme was drawn up, the main features of which were that a holding company should be formed with a defined capital, subscribed by dairy farmers, towards which

* Cmd. No. 8886 (Second Interim Report).

could count the shares already held by farmers in the combine, and also the ascertained value of the assets of the dairy societies concerned. Producers were to market all their milk and cheese through the combine, subject to which it was proposed that this holding company should exercise perpetual voting rights in the amalgamated concern on behalf of agriculturists, and should have an equal voice in determining matters relating to the producing side of the industry, including prices. Its directors were to be nominated by the farmers of the country through the agricultural co-operative movement. Distributable profits, after providing for interest upon the issued capital of the combine at a fixed rate, were to be allocated in certain defined proportions to reserve account, to the shareholders and to the constituent dairy societies, the latter, in turn, to distribute them amongst their members according to the quantity of milk and dairy produce each supplied. Certain features of the scheme were regarded as open to objection from the standpoint of producers; the Council of the National Farmers' Union could not, therefore, see their way to endorse it as drafted, and it was not proceeded with.

Shortly afterwards, the Eastern Counties Dairy Farmers and the West Sussex and Hants Dairy Farmers merged with the combine. These were two of the largest dairy societies in the country, with a combined turnover of, approximately, £870,000 and handling between them six and a quarter million gallons of milk a year.

Other societies attempted to strengthen their position by federation on an area basis. Two such schemes were seriously canvassed, but in neither case put into operation. One was a proposal to federate the dairy societies in Gloucester and Herefordshire and the other the societies in Cornwall. In each case the underlying idea appears to have been the formation of a central selling agency for the federated units. All produce, whether whole-milk or dairy produce, was to be, in effect, pooled, the central agency determining how the milk handled by each society was to be dealt with, *i.e.*, whether to be despatched as whole milk, or manufactured into cheese. The selling agency was to effect all sales and to pay over to each constituent a proportionate share of the whole of the proceeds, less actual working expenses.

Another event of some importance was the winding up, in 1923, of the Wiltshire and Somerset Farmers, a society registered in 1910. The demise of this large society, which operated in one of the most important dairying districts of England, was a serious event for co-operative dairying. One cause of failure was held to be the lack of control by the society over its members' milk; another, that pointed out by the Standing Committee on Trusts* in the following words:—"We find that many of these co-operative dairy societies are financially unsound and we

* Cmd. 1102/1920.

“ consider that this is due, in part, to the fact that these societies
 “ guaranteed their members a fixed price for their milk. If such
 “ societies had worked on truly co-operative lines and had
 “ adopted some system of the payment of a certain sum on
 “ account and a subsequent proportional division of the profits
 “ realised, there is no doubt that the farmers would have
 “ benefited in the long run.”

The co-operative cheese school scheme inaugurated by the Board of Agriculture in 1916 has already been referred to. The scheme was designed to demonstrate the principles of co-operation and their possible application to dairying. The medium of demonstration was a cheese school and its object to guide the producers concerned along the lines considered desirable. The actual formation of societies and their subsequent supervision was left to the Agricultural Organisation Society and to the producers concerned. The scheme appears to have stimulated interest in co-operative dairying, more particularly in districts remote from whole-milk markets, such as Cornwall and North Wales.

In North Wales, no less than 37 societies, all small, came into existence. Their method of payment for milk was arranged on a strictly co-operative basis, that is to say, payments on account were made to members and balances paid when receipts were known, regard being had to weight and butter-fat content in order to ensure that the farmer providing the best milk received the best price. In addition, a centralised system of accountancy and supervision gave these societies a cohesion which should have gone far to ensure success. Only eight had, however, survived by the year 1924, the remainder having either gone into liquidation or suspended operations.

Failures have been attributed to :—

(1) The absence of skilled full-time organisers who, subsequent to the closing of a dairy school, could continue the technical and administrative services required by small and struggling businesses.

(2) The lack of cheap capital for the building and equipping of depôts, and the need of credit facilities to enable cheese stocks to be carried when necessary.

(3) The diversion of milk by producers to stock-raising purposes when this appeared to offer favourable prospects.

(4) The steeply-falling cheese markets of 1921-1922, when some societies held on to their stocks in anticipation of a rise, and were subsequently forced to sell at a heavy loss.

The experience of the Cornish group of societies formed, for the most part, as the result of cheese schools, resemble those of North Wales. In this area, eight societies were formed, all of which have since gone out of business. Here failures have been attributed to lack of support by members and to inefficient management. Among other contributory causes may be mentioned defective organisation, lack of selling ability, and the

failure to instal the pasteurising plant necessary to enable the supply of distant markets to be satisfactorily undertaken. It should be added, however, that there are one or two successful societies in Cornwall which devote themselves almost entirely to converting milk into dairy products.

Up to the present time, 70 co-operative cheese schools have been held in various parts of England and Wales. The number of surviving registered societies formed as a result of these schools appears to be 13.

(ii) Classification and Present Extent.

Tables IV (*a-f*) show the number, membership and turnover of agricultural co-operative dairy undertakings in England and Wales for the year 1923-24, classified according to the functions which they customarily perform. There were 63 societies, with a total turnover in milk and dairy produce of £1,447,627 as against 30 societies in 1914-15 with a total turnover of £490,124. These were distributed through 25 counties, as shown in Table II.; only three area groups can be discerned; (*a*) 10 societies in Denbighshire and Flintshire; (*b*) seven societies in Leicestershire and Nottinghamshire, and (*c*) six societies in Carmarthenshire and Pembrokeshire. It should be emphasized that the classification adopted, while correct for practical purposes, is necessarily broad, in the sense that societies may, and do, vary their functions from time to time, as may be most convenient.

A brief explanation of the classification adopted may be given.

(*a*) *Wholesalers (17 Societies)*.—Societies in this group sell their milk mainly to retailers, but, in some cases, to other wholesalers. The simplest form that such a society can take is that of an agency or collecting organisation. There are only two societies, namely, the Wincanton District Farmers and the Wykeham and District Milk Producers, which limit their activities in this way. These undertake no processing, and do not deal with surplus milk. They merely effect sales and collect debts. The advantages which they offer appear to be limited to those arising from collective bargaining, reduced transport costs, and the savings in time and energy which accrue to members through being relieved of the trouble of finding markets and making contracts.

Apart from these two organisations, all the societies in this group undertake the handling of their members' milk in addition to its sale. They perform, in general, some or all of the services of collecting, cleaning, cooling, pasteurising, selling and despatching, and they accept the responsibility of converting surplus milk into cheese. Some of them take note of quality and test each member's supplies. Tests vary with societies, and may relate to butter-fat content, acidity, cleanliness, or any other commonly accepted feature of good quality fluid milk.

The usual method adopted by these societies, as, indeed, by most dairy societies, for paying their members, is that embodied in what is known as the National Farmers' Union scheme. Under this scheme, all milk up to a certain maximum quantity, fixed separately for each producer, is paid for as liquid milk. Milk supplied over and above this limit is regarded as surplus and paid for at a lower rate. The quantity to be paid for as liquid milk being fixed with reference to the average production of the individual farmer for certain specified months of the year, it follows that members are paid according to an arrangement which has no strict relation to the actual trading results of societies engaged in this trade. This gives rise to an element of risk, as if the societies sell more milk as liquid milk than they have paid for at liquid-milk rates, they gain; on the other hand, if they sell less, they lose. This system is also generally adopted by wholesale middlemen. The alternative method practised only by some 10 to 12 of the 63 co-operative dairy undertakings in the country, but widely practised in other countries, is monthly payments after receipts are known. This allows a society to get in its money and to make deductions for expenses incurred, leaving the producer to receive his share of the balance in proportion to the quantity and, may be, quality of milk he has delivered. This is clearly safer financially, from the standpoint of societies, than the method which the majority at present adopt.

(b) *Wholesalers and Retailers (7 Societies) :*

(c) *Wholesalers and Retailers as Branch of General Trading (9 Societies) :*

(d) *Retailers (7 Societies).*

Much the same observations may be made regarding the above three types. The first two perform the same functions, but are separately classified to show the number of societies which deal in milk and dairy produce in addition to the general trading activities which constitute their main business. One of the latter class, the Yorkshire Farmers, is an agency only of the kind previously mentioned. Purely retail societies, from their nature, tend to be small, but it may be remarked that some of the most successful co-operative dairy undertakings belong to this class. They also perform a useful function in providing a good market for their members' eggs and other produce. It may be observed that most of the purely retail societies and a number of those engaged in wholesaling-retailing find it convenient to possess retail shops.

(e) *Cheese and Butter Manufacturing Societies (16 Societies).—*These societies might be alternatively called surplus milk societies, in the sense that they function mainly to deal with surplus milk which their members are not able to dispose of profitably in any other way. They only operate at such times and for such periods as this excess exists. Certain societies in this group are looked upon by members as of importance in strengthening their bargaining position *vis à vis* the liquid-milk trade. The market for

cheese is sought principally among wholesale cheese factors. The members are usually remunerated for their milk by a system of advances and deferred payments according to the period which it takes to ripen and market the cheese.

(f) *Stilton Cheese Societies (7 Societies)*.—These societies are in a special category, as it is only in certain localities that stilton cheese is commercially produced. Since by far the greater part of the stilton cheese output is produced in certain months of the year only, these societies resort to the sale of liquid milk at other seasons, usually disposing of it wholesale at ruling prices. The cheese is sold wholesale to cheese factors or direct to large retailers. Sales of cheese are also made to members at wholesale rates. The societies adopt varying methods to finance their cheese stocks, which, on the average, have to be carried for a longer period than in the case of other makes of cheese.

(iii) Examples of Dairy Societies.

- A. Sturminster Newton and District Farmers.
- B. Long Clawson Dairy.
- C. Harpenden Dairies.

A. STURMINSTER NEWTON AND DISTRICT FARMERS.

Area of Business.—This is a co-operative dairy society which operates within a radius of from 13–15 miles from Sturminster Newton, in North Dorset. It is estimated that its members comprise 98 per cent. of the farmers in the Sturminster Newton area, 56 per cent. in the neighbouring Gillingham area, and 90 per cent. in the neighbouring Fontmell area. The radius of the society is as large as can be managed without creating further depôts. The society also carries on a small business in farm requisites for the convenience of its members, especially for small farmers who buy forage in less than truck-loads.

The service which the society performs for its members is to collect, clean, pasteurise, cool and despatch their milk to the outlets it has secured among retailers in London, Southampton and Portsmouth, to make surplus milk into cheese, and to pay the members monthly the actual amounts received for the produce sold less the estimated handling charges, the risk of bad debts being borne by the society. At the present time, approximately 95 per cent. of its sales of liquid milk are to retailers direct and only 5 per cent. to the wholesale trade. The cheese made is sold to factors.

Committee.—The committee consists of eighteen members—eight representing Sturminster Newton district, four representing Gillingham, and four Fontmell; half of these retire annually, but are eligible for re-election. Two retail members are elected by retail shareholders annually. The retail members are held to be of assistance in helping producers to understand the difficulties of retail distribution.

Staff, Premises and Plant.—The staff consists of a manager, secretary, branch manager, engineer, analyst, and 37 others, of whom 12 are engaged on transport. The buildings at the principal depôt include the main factory, offices, laboratory, garage and repair-shop. The society also owns the manager's house and a few cottages. The buildings are situated close to Sturminster Newton railway station, where a special siding is provided. The smaller depôt at Gillingham is at a short distance from the railway; milk from this depôt has to be transported to the railway station by lorry or cart. The main factory is capable of handling 6,000 gallons of milk per day and converting 2,000 gallons a day into cheese. A retarding plant has recently been installed to meet the requirements of those distributors who handle bottled milk. The Gillingham factory can handle 2,000 gallons per day. Both factories are working to full capacity. The society has ten motor lorries and a lorry-repair shop, which has proved a great economy. The shop is also utilised by members for the repair of tractors, &c., provided that this does not interfere with the society's regular work.

Churns.—Ten-gallon churns are used for taking the milk from the farms to the factory, seventeen-gallon churns for despatching by rail. All churns are supplied by the society, no farmers' churns being in use. The society employs a tinsmith to repair its own churns. The number of churns for railway use varies, and is governed by the fact that churns may be kept by customers from three to five days. For the last three years the society has protected itself against losses of churns by becoming a member of the Milk Vessels Churn Recovery, Ltd.

Co-operative practice.—The method of working the society is in conformity with genuine co-operative practice. Thus, in addition to democratic control, fixed rate of interest on capital, and open membership, its trade is almost entirely confined to members; the members are obliged by rule to take up capital on a cow basis.

A guaranteed supply is secured by the existence of a special rule which provides that "a member supplying milk to the society at the commencement of or at any time in a contract-period is deemed to have contracted to sell his milk for the whole of that period, or the remainder of the period, as the case may be, and in the event of any such member withholding his milk or any part thereof from the society at any time prior to the termination of such contract period, (unless otherwise agreed upon in writing) the committee shall be at liberty to deduct 2d. per imperial gallon upon the estimated total quantity which would have been supplied by such member during the remainder of such contract period based upon the average daily quantity of milk supplied by such member during the portion of such contract period in which he has supplied milk to the society."

The price paid to the members is fixed monthly by the committee, and is based on the actual amount realised, or estimated to be realised, for the total quantity of milk sold and cheese made during the previous month, after allowing a safe margin for costs. In practice, therefore, members receive a level price for their milk, irrespective of whether it is actually sold as liquid milk, or converted into cheese. It may be said that the effective working of the concern is now, in fact, secured by this system of monthly costings and rigid adherence to the principle of allowing a safe margin when fixing the members' price. Failure to observe this principle would inevitably lead to speedy disaster. In this society the farmers fully recognise the risks attending overpayment for their supplies, and regularly accept the price fixed by the committee.

Progress of business.—The society came into existence in March, 1912. The number of its first shareholders was 19; these increased before the end of the year to 97. Less than £2,000 was subscribed at the start, the money for the necessary buildings having to be advanced by the bank on the personal guarantee of the committee, the members of which accepted a total liability of £10,000. The first nine months' trading showed a loss of £838. In the following year a bad debt of £800 was incurred and the accounts showed a loss for ten months' trading of £424. There was then a turn in the tide, but the society was naturally much handicapped by lack of capital. An arrangement was entered into, in 1915, with the Co-operative Wholesale Society, which agreed to act as the society's bankers and to arrange its finance, if the farmers of the district took up £2,500 in loan stock in the society as a proof of their support. The money was found within six weeks, and the accounts for the following year showed a profit of £2,773, which enabled the committee to pay 5 per cent. interest on its share capital, then standing at £2,695, for the whole period since the formation of the society, three years and seven months in all. In 1917 a factory was leased at Fontmell Magna; in the same year membership increased from 111 to 262 and share capital from £2,695 to £7,683. In 1918 a new factory was built at Gillingham. Membership increased to 318, share capital to £11,000, but a loss, the first for three years, was made on the year's trading. This was a bad period for the society, since it was followed by a loss of £9,593 in 1919. Drastic steps were taken to meet the situation. A new manager was appointed. It was agreed to withhold one month's milk money, amounting to £7,939, which was funded as a 6 per cent. loan. At the same time, the rules were amended to increase the minimum holding per member from £1 to £2 per cow. In 1920, membership was 400 and share capital £17,185, while profit earned amounted to £3,780. This was the year of de-control, since when the society has made steady progress, increasing each year the proportion of liquid milk sold and

decreasing the quantity manufactured into cheese, gradually repaying its loans, reducing its management expenses, and laying the foundations of substantial reserves. In 1923 the remaining portion of the 6 per cent. loan £2,626 was converted to a 5 per cent. loan for a further period of four years. The figures of the society for that year were : membership 486, share-capital £19,822, total turnover £179,352, net profit £2,031. Of the total capital, about £2,000 is held by local shareholders not producers, and about £1,000 by retailers who deal with the society. Like other milk businesses, the society experienced special difficulties arising from the surplus of winter milk in the season 1923-24. These difficulties were reflected in the financial results of the undertaking for that period, but, in all the circumstances, it weathered the storm well.







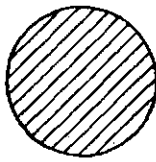
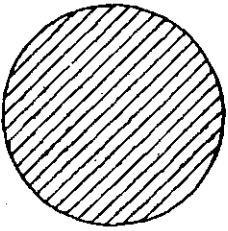



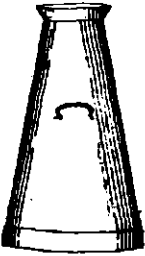




The diagram on the opposite page shows the general progress of the society since its formation.

Liquid Milk Sales.—A noticeable feature of the society's work is the continuous increase in its sales of liquid milk. Indeed, partly by good management and partly by improving the quality of the milk produced, the society has made striking progress in this direction during the last few years. Thus, in 1920, the quantity of milk handled by the society was 2,518,778 gallons, of which 1,840,693 was sold as liquid milk. In 1923, 2,589,826 gallons were handled and 2,376,583 gallons sold as liquid milk—an increase on much the same total supply of over 500,000 gallons sold as liquid milk. Prior to the existence of the society, the larger farmers, as a rule, made cheese in the summer and sold limited quantities of milk in the winter when supplies were scarce. The smaller farmers had little inducement to go in for dairying. It is, of course, possible that many of the larger farmers, who are able to supply level quantities, would in any event have been able to find regular outlets for liquid milk under the changed conditions of the trade. On the other hand, it is probable that most of the smaller men would not have been able to do so, since small and irregular quantities fetch poor prices in districts far removed from the big markets and may easily be unsaleable. The society has in fact turned what was a cheese-making district into a district selling large quantities of first-rate milk to large consuming centres.

The society is successful in maintaining a high standard of quality in the milk as received from the farms. This is secured by testing the milk from each farm at least once a week. A high standard (3·5 per cent. butter-fat) is laid down; failure to reach this standard is dealt with by a caution in the first instance, a second offence by a fine of 1d. per gallon on the current month's milk. Should any milk fail to reach the standard of 3·25 per cent. butter-fat, the supply from that farm is discontinued. It is, however, found that 95 per cent. of the milk is above that standard. Tests for acidity are also made in the summer months in any cases of doubt.

STURMINSTER NEWTON & DISTRICT FARMERS LTD

Progress of the Society

1913	1916	1919	1923
MEMBERSHIP			
 97	 111	 345	 486
CAPITAL			
 £ 1,863	 £ 2,695	 £ 13,883	 £ 19,822
LIQUID MILK SOLD			
 444,394 galls.	 1,140,667 galls.	 2,086,219 galls.	 2,376,583 galls.
CHEESE MADE (in terms of Milk)			
 77,905 galls.	 169,598 galls.	 493,270 galls.	 173,692 galls.

Cheese.—The principal cheese made is cheddar; caerphilly was tried at one time, while a small amount of sour-milk cheese is still occasionally made. The whey is re-sold to members at prices varying upwards from 6d. per 17-gallon churn. It is claimed that the bulk of the society's factory-made cheese compares favourably with the farm-made article, but the difficulties which confront all factories making cheeses from surplus milk have, of course, to be faced. One difficulty is that, in the slack periods, a factory cannot maintain a large staff of expert cheese-makers. Another is the uncertainty of the incidence and quantities of surplus milk. Indeed, the difficulty of foreseeing the exact moment when surpluses will arise means that, at times, the manufacture of cheese must be a rush operation. When that happens, the quality varies and this affects the price. There is the further point that absolute uniformity of product is more difficult to obtain with mixed milk, or with milk that has been shaken by transport to a factory. Hence factory-made cheese, in general, commands a lower price than the dairy-made product. Current market prices, for example, show an average difference of slightly over 2d. per lb. between factory and dairy-made cheddar. Other factors may also affect the price-basis. The factory has a limit to its storage capacity, for example, and cannot usually afford to carry large cheese stocks for an indefinite period. On the average, the period elapsing between the making of cheese by the society and its sale to a factor is two months. The society is satisfied that a longer average period would, on the whole, be advantageous, if only because a more mature and marketable product would be offered which would usually secure a better price. Considerations of storage and finance, however, both tend to keep the period shorter than may be economically desirable.

A further point of interest is that, in fact, the society's manager is not in a much better position to judge the market value of cheese than an individual farmer. In his estimates he must rely for guidance on market prices. If the factor informs him that large quantities of Dominion cheese are coming forward, he has no means of checking the statement. Forecasts, at regular intervals, of the position regarding Dominion and foreign supplies of cheese and butter would be helpful. This, and the fact that the manager has not the time to find retail outlets himself, suggests that a central selling agency for the products of co-operative cheese factories might be desirable.

Attitude of Members.—When the society commenced operations the immediate effect was to cause a rise of 1d. to 1½d. per gallon in the price received by the farmer for his milk. While it is considered that, in recent years, the returns to members have been up to current prices, there has been no striking advantage in price over competing firms. In these circumstances the existence of the society confers an indirect rather than a direct advantage on its members. It saves them trouble; it collects

and handles their milk at a lower cost than would be possible for any but the most favourably situated. It also takes the risk of bad debts. These services could, it is true, be carried out by a strong and well-organised private firm, but the general opinion appears to be that if the society were not in existence, the farmers of the district would have no security against exploitation. Without it, the larger farmers with level quantities might manage, but the small farmers would have a poor chance of making dairying pay. Indeed, the society is looked upon as an insurance which the district could ill-afford to be without. Nevertheless there is some indication that co-operation as practised in this instance is not without its critics. Provided that the quality of the milk is up to standard the society pays the same per gallon to all its members, whereas it is argued that a farmer having a large supply and level quantities should receive a better price than a member who has small and irregular quantities for disposal. Again, some consider that a member supplying exceptionally rich milk should obtain a correspondingly better price. To meet the latter difficulty, the practicability of paying for milk on a scale according to butter-fat content is under consideration. The other difficulty can hardly be removed.

B. THE LONG CLAWSON DAIRY, LTD.

Long Clawson Dairy is the largest of a group of co-operative dairy societies making stilton cheese in South Nottinghamshire and Leicestershire. They are to be found on a line running roughly north and south for fifteen miles from Colston Bassett, in Nottinghamshire, to Ashby Folville, in Leicestershire. They occur in the following order: Colston Bassett, Harby (a new society), Stathern, Long Clawson, Scalford, Melton Mowbray and Ashby Folville. The oldest of the societies is Scalford, formed in 1903, to which reference has already been made. With one exception, noted later, all the societies appear to work on much the same lines. Unlike the majority of dairy societies, their principal function is to convert as much of their members' milk as possible into cheese during the summer months. They also undertake the disposal of their members' supplies of milk during the winter and sell a certain amount of accommodation milk during the summer.

Co-operative Practice.—The area served by Long Clawson Dairy is limited, with a radius of three miles only, and includes the villages of Long Clawson, Hose, Holwell, and Hickling. Within this area, practically all the farmers are members. The society's trade is entirely with its members, 85 in all, except that the management occasionally accommodates outlying farms by taking small quantities of milk during the winter. As the area of its operations can hardly be extended in consequence of the proximity of other societies, Long Clawson is in practice a more or less close corporation, its membership only altering when farms within its district change hands. It presents the usual

characteristics of democratic control and patronage dividends, while its members are required to hold shares on a cow-basis, in this case £2 per cow, of which £1 is paid up. To ensure that members sent all their supplies through the society, a somewhat unusual arrangement was adopted which still, in theory, obtains. The rules of the society provide that no person may be admitted to membership unless he enters into a contract whereby he is bound to sell to the society all his milk, or an agreed portion thereof. Such contract is terminable by either party on six calendar months' notice in writing. Should the contract, at any time, be determined by notice or otherwise, and so long as no new contract has been entered into, the committee has power to expel the member concerned by repaying to him the amount paid-up on his shares which are forthwith cancelled. The contract referred to in the rules is for a fixed period, usually a year, and provides for a fixed price; it renders the member liable to a fine of 1s. per day per cow in the event of his selling his milk to any other purchaser. In practice, these fixed-period contracts have ceased to be used by the society, since they have been found to be unnecessary. Since 1912, when the society was formed, only one case has occurred of a member failing to send all his milk through the society. This member was expelled under the rule already quoted, his share capital being repaid. All the stilton cheese societies, except Colston Bassett and Melton Mowbray, bind their members, either in theory or in practice, to send their whole supplies; it is reported that contracts, where resorted to, are loyally observed in this group of societies.

Co-operative Credit.—A feature of peculiar interest at Long Clawson is that the bulk of the members, a few years ago, signed a guarantee to the bank, by which, with the help of the society's reserves, it is possible to finance without difficulty the heavy cheese stocks which have to be carried in the latter half of each year. With the exception of a few small credit societies, a financial arrangement of this kind is probably unique in English co-operation and is convincing proof of the confidence which the members have in their society.

Payment to Members.—Payment to members is monthly and is based on prices fixed at the beginning of the summer and winter contract-periods respectively. Prices are in general based on the National Farmers' Union settlements, a bonus being paid at the end of each year according to the results of the past year's trading.

Buildings and Staff.—The society has two freehold factories, at Long Clawson and Hose respectively, and collects by motor from Hickling. The staff varies from about 20 in the summer to 6 or 7 in the winter.

Financial Results.—The Long Clawson Society has had a satisfactory financial career. Its first balance sheet for the year ended January 31st, 1913, showed a net profit of £445. Share

capital at that time was £772, of which £192 was held by suppliers, £580 being held by non-supplying members. By 1915 the share capital had increased to £1,059, while a reserve of £421 had been created; the net profit for the year was £297. The corresponding figures for 1917 were: share capital £1,213, reserve £1,374, net profit £1,230; for 1919 the figures were: share capital £1,304, reserve £1,455, net profit £2,109.

The following table shows the subsequent history of the society:—

Year.	Share Capital.	Reserves.	Turnover.	Net Profit.
	£	£	£	£
1920 - - -	1,554	—	47,179	3,318
1921 - - -	1,664	—	44,244	3,715
1922 - - -	1,709	2,770	36,471	1,347
1923 - - -	1,731	3,145	36,747	2,351






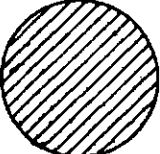
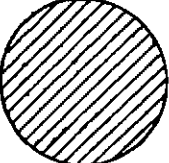
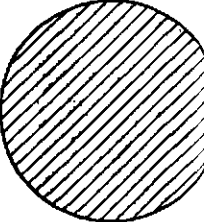



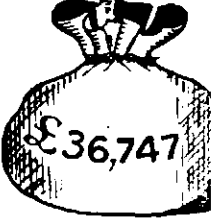


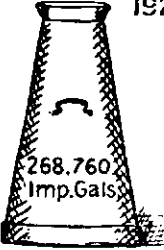




The diagram on page 44 illustrates the society's progress.

The society has always paid a dividend of 5 per cent. on its share capital, and, in addition, has, in some years, paid a bonus of a further $2\frac{1}{2}$ per cent. to its shareholders. This bonus was intended as a solatium to the non-supplying members who provided the majority of the initial capital. Bonuses ranging from $\frac{1}{2}d.$ to $1\frac{1}{2}d.$ per gallon have also been paid in recent years to the supplying members. The $1\frac{1}{2}d.$ bonus was exceptional; the average bonus has ranged from $\frac{3}{4}d.$ to $1d.$

Liquid Milk.—The trade of the society in liquid milk can be briefly summarised. It is estimated that about one-half the society's total supplies, which amount to 600,000 gallons a year, are sold in this form; the quantities so disposed of in the winter being double the quantities sold in the summer. The principal buyers are retailers in Nottingham, Leicester, London and Glasgow, contracts being also occasionally made with a wholesale creamery. Much of the trade with Leicester and Nottingham is direct, the society's lorries collecting and delivering to the buyers. Railway milk is either collected or brought to Long Clawson, where it is cooled and despatched. Farmers supply their own churns for delivery from the farm, 12-gallon churns being generally adopted; 17-gallon churns are used for railway delivery. The society has no special method of differential payment, or otherwise, to secure improvement in the quality of the milk handled, but has a regular system of analysis to ensure that quality is maintained.

Stilton Cheese.—The manufacture of stilton cheese requires considerable experience and a high degree of skill. The successes of the various co-operative dairy societies of this district at the Royal Show and at the London Dairy Show for a number of years are a proof that the quality of their cheese reaches the

LONG CLAWSON DAIRY LTD.

1912-13.	1915-16.	1918-19.	1923-24.
<p><u>MEMBERS</u></p>  <p>18</p>	 <p>37</p>	 <p>46</p>	 <p>85</p>
<p><u>CAPITAL</u></p>  <p>£772</p>	 <p>£1,091</p>	 <p>£1,253</p>	 <p>£1,731</p>
<p><u>SALES</u></p>  <p>£2,730</p>	 <p>£8,832</p>	 <p>£22,822</p>	 <p>£36,747</p>
<p>1912.</p> <p><u>MILK SOLD</u></p> <p>NONE</p>	<p>1915.</p>  <p>73,000 Imp. Gals.</p>	<p>1918.</p>  <p>119,000 Imp. Gals.</p>	<p>1923-24.</p>  <p>268,760 Imp. Gals.</p>
<p><u>NUMBER OF CHEESES MADE</u></p>			 <p>23,000</p>
 <p>4,824</p>	 <p>7,250</p>	 <p>8,245</p>	

high standard for which stilton is famed. During the season of 1923, 23,000 stilton cheeses were made at Long Clawson, the maximum output of the factories being 140 per day. As previously stated, cheese is mainly made in the summer, but a little is also manufactured during the winter. The bulk of the winter and early summer supplies of cheese is sold new, mainly in the colliery districts. The remainder is stored and ripened for the Christmas trade, most of it going to London. The whey is sold to members for pig feeding.

For the production of high-class cheese, it is desirable that the milk should not be transported any great distance; it is obvious, also, that the more concentrated the area of production the less likelihood is there of inferior quality milk being sent in which, if undetected, may spoil the whole product of a factory. These technical considerations probably account for the limited areas which these societies serve. This restriction of area has, however, ensured the local interest, economical management and genuine division of benefits which have made for the success of this group of co-operative undertakings.

Marketing Organisation.—It has already been remarked that Long Clawson Dairy handles practically the entire output of milk in the limited district which it serves. Much the same state of affairs prevails in the case of the other old-established stilton cheese societies taken as a group. It would appear, therefore, that the main line of advance of these societies, apart from improvements in the quality of their raw material, or internal economies in manufacture, must lie in the direction of intensifying production within the limited areas they serve and of developing their markets. So far as the sale of liquid milk is concerned, the marketing problem implies either more regular outlets to retailers, or the more remunerative outlets which some members consider the societies might themselves obtain by entering the retail trade. The former is not a pressing need; the latter is under consideration by at least one of the societies.

More important is the possibility of improving the market for stilton cheese. If the demand for stilton could be increased it would clearly be advantageous to turn into the more profitable commodity some or all the supplies now sold during the summer months as liquid milk. *Prima facie*, there is room for the extension of the market. At present, stilton cheese is made by a number of private firms and joint stock companies, including the London milk combine, and by individual farmers, as well as by the group of producers co-operative societies referred to. Some producers, among them Long Clawson Dairy, advertise in trade papers, but these advertisements, while directing attention to the merit of the advertisers' product, are not seen by the ultimate consumer. The group of co-operative societies concerned with this trade have a loose federation which meets twice a year, but mainly to consider milk prices. No organisation appears to

exist for the special purpose of advertising or for stimulating the public demand for stilton cheese.

C. HARPENDEN DAIRIES.

General Description.—This is a small society which started as a joint stock company during the war. It registered as a co-operative society in 1919. Its business is entirely confined to a retail trade in milk, cream, butter, cheese and eggs in Harpenden, a town of 8,000 inhabitants, some 25 miles north of London, in Hertfordshire. It is an example of combination among a small group of local farmers to supply their local market.

The basis of the society is the principle that the natural supply of milk for any town, such as Harpenden, should come from the farms in its immediate vicinity; in other words, that farmers should make it their business to secure at least their own local market. It is claimed that, given good management and adequate support, a society with a purely local outlook should find little difficulty in holding its market by the superior quality of the milk it provides and in rendering useful service to both producer and consumer.

The Harpenden society has only 13 members, supplying, in all, about 360 gallons of milk per day. These members farm within three to five miles of the town. A small quantity of milk, about 40 gallons per day, is also bought from non-members in times of shortage. The society collects the milk of its members by motor-van, cools it at the dairy, and either delivers it by roundsmen to its clients or sells it direct to customers at its retail shop.

Procedure to Secure High Quality of Product.—The aim of the management is to secure the highest possible standard in the milk supplied to its customers. To attain this, a system of fines and bonuses has been devised. Thus, a fine of 1d. per gallon is imposed on all milk which is not cooled to 60° Fahrenheit on leaving the farm (the milk being further cooled to 40° at the society's dairy). A bonus of 1d. per gallon is payable to members supplying all their milk from cows that have passed the tuberculin test, certificates from approved veterinary surgeons being required for this purpose. A further bonus of 1½d. per gallon is paid to members holding the County Council licence as producers of Grade A milk. These bonuses were put into operation about twelve months ago and have been so effective that already half the members are qualifying for the first bonus, and a quarter have qualified for both. It has also been resolved that a bonus of 3d. per gallon should be paid to members obtaining the Ministry of Health Grade A. T.T. licence, but so far none of the members has decided to fulfil the necessary requirements.

The manager tests the milk supplied from each farm every fortnight, and daily in cases of doubt. He checks his general results by sending samples to a bacteriological laboratory in London.

While attention is paid to the purity of the milk, other qualities are not neglected. Each month a list is supplied to

each member showing the analysis of the milk of all the suppliers, the particulars relating to the milk received from the member concerned being separately indicated. It has been found that this method creates a keenness among members to obtain the best results and has produced a steady improvement in quality. The system followed is such that the milk of individual suppliers is not mixed, hence, if any customer has a complaint, it is an easy matter to ascertain the origin of the milk concerned. It is stated that genuine complaints are exceedingly rare. There is a pasteurising plant at the dairy which is mainly used for accommodation milk. A cold store is also in constant use for surplus evening milk, but the greater part of the milk supply is delivered to the society's customers within two or three hours of milking.

Advantages to Consumer.—The most striking advantage to the consumer is undoubtedly the quality and freshness of the milk supplied. This could hardly be equalled by train-borne milk coming from a distance. It is the practice to sell this milk, which may be regarded as superior to average quality, at market price. The society has also recently inaugurated a system of tallies. These tallies, which are aluminium discs stamped with varying monetary values, are sold at the rate of 5s. 2½d. worth for 5s. to customers who undertake to deal only with the society. This system of a cash discount has met with considerable success and offers an advantage to the regular customer.

Advantages to Producer.—The advantages to the producer are also substantial. There are, of course, the usual benefits incidental to any successful system of combination. The milk of each farmer is collected at a low cost (¼d. per gallon plus 2½d. per mile per consignment is the rate now in force), a secure outlet is provided and there is no risk of bad debts. The system of payment on which the society works is based on the National Farmers' Union scheme, each member signing a National Farmers' Union contract, in addition to the pledge to supply milk to the society which is embodied in the society's rules. Payment is made monthly; up to the present time a supplementary non-contingent bonus has also been paid each month amounting usually to 2d. per gallon of milk supplied. In addition, the society has always shown a substantial profit each year, so that the dividends on both ordinary and loan stock are above ordinary commercial rates. Some figures are appended:—

	1920.	1921.	1922.	1923.
	£	£	£	£
Share Capital - . . .	1,660	1,965	2,120	2,120
Loan Stock - . . .	3,300	3,300	3,000	3,225
Reserves - . . .	1,442	2,599	3,424	4,483
Capital Assets - . . .	7,506	7,703	7,709	8,404
Turnover - . . .	9,514	19,849	16,960	17,567
Net Profit - . . .	654	1,764	963	1,428

In a society of this limited size it is possible for the manager to keep in close touch with every member and to be personally acquainted with the conditions under which the milk is produced on each farm. Hence, each farmer has available the advice of an expert in such matters as the provision of cooling and sterilising apparatus, and in the choice of utensils.

Central Dairy.—Great care is exercised in the central dairy, where the whole system of handling the product, distribution, book-keeping and general management reaches a high standard. The present staff numbers 20, including roundsmen. The plant installed is capable of dealing with 1,000 gallons per day, which is more than double the present supply. It may be mentioned that the society is changing over from the 17-gallon churn to a special pattern 10-gallon churn which is said to be easier to handle and pack. The society finds a ready market for its separated milk by re-sale to members for feeding to pigs.

Retail Shop.—The society possesses a shop in the centre of Harpenden, which is found to be useful for disposing of the cream, butter, eggs and soft cheeses in which the society also deals. Sales of cream, butter and eggs amounted to £1,500 in the year 1923. The society has its own brand or trade-mark, which appears on all packages sold.

Features of Retail Milk Societies.—Societies of this type require a comparatively large amount of capital per member for the purchase of plant, transport, &c., and to enable the business to make a start. Three courses are usually possible—(1) to buy an existing goodwill for cash; (2) to create a trade, relying for this purpose on canvassing, advertisement and the superior quality of the article; or, (3) to buy a goodwill from one or more of the prospective members in exchange for loan-stock in the new concern. This last course was followed at Harpenden. Provided reasonable terms can be arranged, it is probably the method by which a business nucleus can be most easily and satisfactorily acquired. A retail connection having been obtained, members need to be placed under a strict obligation to dispose of all their milk through the society, except milk retained for employees and for such purposes as calf-rearing. At Harpenden, as already stated, there is a general pledge to this effect in the rules, which is supplemented by seasonal contracts which all the members sign.

At Harpenden, new members are not at present admitted unless they are prepared to supply milk from tuberculin-tested herds. Retail societies of this type are almost bound to give rise to an indirect limitation of membership, either by imposing a qualification on new members, as in this case, or by a rigid restriction of area, since new members can only be admitted to correspond with an increase in trade. Moreover, from the standpoint of co-operative method, the practice adopted by the Harpenden society of increasing the rate of interest on its share

and loan capital in preference to returning the whole of its surplus in the form of bonuses is also unusual.

(iv) **The Business Aspects of Co-operation in the Dairy Industry.**

Loyalty of Members and Contracts for Supplying Milk.—The most serious question for the well-being of any society is, without doubt, the degree of loyalty with which members support it and supply it with produce. The evidence shows that only 17 out of 63 farmers' co-operative dairying enterprises are working with what are deemed to be contracts with members, the essence of the contracts being that members shall deliver to their society, for a stipulated period, either their total production of milk or an agreed quantity. These so-called contracts are sometimes embodied in the society's rules, or they may be recorded as a resolution of the committee of management, subject to the assent of the members. In some cases, a separately signed agreement is in force. Other societies rely upon their members' good faith in this matter. As has already been mentioned, there is an intimate connection between guaranteed supply and business success. The contract is simply a means of assuring this supply; on its legal side it aims at the discipline of disloyal individuals and at discouraging outside interference; on its economic side it ensures that continuous volume of business without which all marketing service is performed under serious handicap.

Examining the position in England and Wales in the light of this conception, the remarkable fact emerges that few of those societies which have adopted contracts actually enforce them, for there are only a few cases on record of liquidated damages being paid by defaulting members. The system of membership contracts, with its full implications, has not yet, therefore, been given an adequate trial in this country. In other words, the co-operative dairy societies, except in a few isolated cases, have not enjoyed what should be the primary business advantage of co-operative marketing undertakings, namely, a guaranteed supply. Indeed, while experience shows that a degree of loyalty does, in fact, obtain in the more successful dairy societies, it is commoner for members to regard their society merely as a lever with which to bargain with other agencies and only to resort to it when they are unable to find more profitable outlets for their milk elsewhere; the value of the society to its members over a period of time is either ignored or not understood. In such circumstances, a producers' organisation is not merely handicapped in its management and working conditions, but is actually placed in an inferior position to any private enterprise, since independent intermediaries may freely draw their milk from all quarters, whereas a society must depend, in the first place, upon its own members for the supplies it handles. In so far as it attempts to draw milk from outside, it departs from the economic basis of co-operative marketing and may lessen the attractiveness of its membership,

if non-members are allowed to share its advantages without its responsibilities.

Corroboration of this general attitude of aloofness on the part of members is found (1) in the fact that all societies, except 16, trade with non-members; and (2) in the extent to which societies actually have to go into the market for milk to make up their requirements, reverting, in this respect, to the trading methods of "middleman" concerns in reliance upon price to attract supplies. This, however, is a question of degree and a clear distinction should be made between occasional buying for accommodation purposes and regular dependence on outside supplies.

Provision of Capital.—Capital is mainly provided (1) by the issue of shares, (2) by an issue of loan stock with or without security, and (3) by mortgages or other charges on the society's capital assets. The first is the usual method, members being free to take up any number of shares within the statutory limit of £200, subject to a defined minimum. These shares may or may not be fully paid-up as the society may determine. In some cases, members may be required to purchase shares in proportion to their probable contribution to the business; for example, members may contribute a £1 share for each cow they own. In all cases, they normally receive only one vote on questions of control whatever the size of their shareholding. The size of each share is usually £1, but may vary up to £5; non-producers sometimes subscribe. As has already been explained, the financial liability of each member is limited by the amount of his share capital. The loan stock is raised at the rate of interest and on the conditions as to amount, security (if any), and terms of repayment defined in the rules. It is generally taken up by members, and especially by members of the committee of management, which commonly includes the keenest and most prominent producers associated with the enterprise. It should be observed that loan stock may usually be withdrawn at from three to six months' notice and hence is a potential source of weakness, since the society stands exposed to the risk of a more or less sudden depletion of its capital resources. Where a charge on capital assets is arranged, this is frequently with the society's bank as security for an overdraft, the issue of mortgage debentures being rare. Further accommodation is sometimes obtained on the joint and several or individual guarantees of members of the committee of management and others.

Open membership is usual, which means that there need be no limit to the inclusion of producers in a given area. In some cases a very high percentage, say 80 to 90 per cent., are members in the areas which the societies serve, but the reverse appears to be the case in an undue proportion of cases. Societies engaged solely in local retail trade may find it necessary, in practice, to place some limit to the admission of new members, having regard to the restricted market which such societies exist to serve.

Management.—The pivotal point in the operations of a society is management, yet many factors which affect the welfare of a society are not controlled by its manager, but by the committee of management. Between the committee and the manager, responsibility is divided and, not infrequently, ill-defined. The committee is usually composed of farmers and is often dominated by one or two outstanding personalities; its decisions on policy and its attitude in making appointments and in arranging finance may seriously affect the scope and efficiency of the manager's work. In a matter of this kind, it is difficult to make generalisations of value, but it may be said that the committee, naturally more expert in production than in marketing, has an inclination to take a production standpoint on questions which may require consideration from a marketing angle. This view has been very bluntly expressed by one or two successful managers of milk societies. It should be added that, in some cases, men with general business experience, including milk distributors, have been appointed to committees with satisfactory results.

Then with regard to the managers themselves, their conditions of tenure and emoluments are usually less favourable than those granted by independent agencies for the same work, while their tenure of office is often subject to very short notice. For these reasons, societies do not always secure the best men. Further, it cannot be said that managers are always chosen solely on grounds of competence, other factors, such as patronage, being frequently present. Moreover, farmers often fail to appreciate the necessity and the importance of paying a good man a salary which may be larger than their own earnings; it requires education in the value of marketing services to carry the conviction that efficient managers are worthy of their hire.

The duties and responsibilities of a manager necessarily vary with the size of the society. Ordinarily, he has to keep in close touch with the prices at which milk, cream and other dairy products are sold to different classes of trade. He must procure all available information regarding local and extra-local markets, transport, consumption and supplies. In addition, he is responsible for the formulation and execution, subject to the approval of the committee, of the most economical methods of collecting and processing the milk and of manufacturing products. In small and medium sized enterprises, he may, therefore, have to give direct personal supervision to these operations, necessitating a knowledge of the technique involved. In larger concerns, his work will be more executive and administrative. The relations of a manager to the members may, at times, be difficult. Friction can easily arise, for example, when the manager is held responsible for tests and standards of quality laid down by the committee and for fixing members' prices. This is a matter in which the manager particularly requires support.

Turnover in Relation to Efficient Working.—It may not be altogether a fortunate thing for co-operative marketing that

there is so strong a tradition of small beginnings in the movement. This "little by little" tendency, which is still a characteristic feature of the movement as a whole, seems archaic as a business outlook to-day when the gains of large-scale organisation are universally recognised. It is difficult, having regard to the widely varying local conditions, to give any precise indication of what should be the "economic" size of a dairy society in terms of members, cows and turnover, but no society can expect to be commercially healthy which starts with so few members and so little milk that it cannot afford overhead charges sufficient to ensure the marketing service which it was formed to render.

Examining the figures of turnover per member given in Tables IV (pp. 179-184), the small turnover of many societies is at once apparent, also the small turnover per member in certain cases. At one extreme are the retail societies with an average turnover of £712 per member and, at the other, the cheese and butter manufacturing societies with an average of less than £55 per member. The nature of a society's trade must, in general, be a determining factor in this respect, the variation between different societies of the same class being explained by local circumstances such as, for example, the fact that some societies have non-producer members sufficiently numerous to affect the average figures. It is clear, however, that after making due allowance for this and other considerations, such as the irregularity of members' supplies, the actual turnover of many societies per supplying member is extremely small. Their expenditure on salaries and wages must, in many cases, be too low to command the technical supervision and commercial initiative required. Some widening of the basis of supply upon which these societies work seems essential either by their gaining more complete local adherence, or, if that is already given, by such a federation of localities as will create a better business unit and will provide centralised marketing or manufacturing service for a wider group of producers.

There is no complete information as to the proportion of milk supplied per member, or as to the number of cows involved, but from a number of returns obtained in 1923 it appears that, taking an average annual production of 500 gallons per cow, some societies only received supplies equivalent to from 150 to 200 cows in all, during a trading year. Others, however, received milk from the equivalent of as many as 5,000 to 6,000 cows. The average number of cows per dairy society in Denmark is given as 861, and in Ireland it appears to be in the neighbourhood of 500. Many societies in this country appear to average out at from 3 to 7 cows per member, and only a few societies show an average of over 15 cows per member. While interpretation of these figures is difficult, and may need qualification in view of the varying proportion of supplies drawn from non-members in different societies, it suggests that an investigation into the actual number of cows owned per member in some societies

would cast light upon the degree to which supplying members were consigning milk elsewhere. The importance to societies of a steady supply of milk from a certain minimum number of cows needs no further elaboration.

Financial Procedure.—From a number of points of view, the financial procedure adopted by societies is not always satisfactory. Statistics obtained reveal the notable importance of loans as contrasted with share capital. As has been previously mentioned, loans are mainly raised from members; they are subject to withdrawal, and might, therefore, at any time, give rise to serious financial disturbance. It would clearly be better if capital which is to be permanently locked up in the acquisition of premises and plant were placed on a more secure footing, whether by increased share holding or by some form of permanent loan. The obstacle to the former is said by some societies to be the £200 share limit per member.

Bank overdrafts are employed by most societies at one time or another. Societies dealing mainly in liquid milk convert their principal product into cash so rapidly that financing of stocks is not necessary, but those manufacturing cheese in any quantity may require considerable funds to enable them to carry stocks at certain seasons of the year. As previously stated, this accommodation may be procured from the bank on the joint and several or individual guarantees of members of the society, or of members of the committee of management, or secured on the assets of the undertaking. Viewed from the standpoint of a business which requires widely fluctuating amounts of capital, an overdraft is probably the cheapest method of carrying over periods of exceptional business activity, but, on the other hand, an overdraft may not always be obtainable from the bank to the extent required to meet the society's needs in respect of marketing credit since societies are unable to offer for this purpose a good floating charge on stocks and other chattels which come within the scope of the Bills of Sale Acts.

It may be added that the reserves which are desirable to give stability and security to any enterprise, are not, in general, provided for by societies on an adequate scale, with the result that probably the majority of societies are unduly and avoidably exposed to risks arising from trade fluctuations.

Proportion of Failures.—The number of milk and dairy societies formed at various periods and the number which have failed or have been removed from the register for other reasons, are set out in Table III on page 178, which shows the societies of all kinds registered and removed from the register from 1901 to 1923. It will be seen that 127 dairy societies have been registered since 1901, to which must be added the 13 dairy societies in existence at the beginning of that year, making 140 societies in all to be accounted for. Of this total, 54 are at present in existence, 54 have been removed from the register, leaving 32 which, though still on the register, can no longer be

regarded as mainly dairy societies and have, in some cases, abandoned dairying altogether. The majority of those removed from the register represent failures. There are many considerations to be taken into account in assessing the degree of importance to be attached to this somewhat serious result.

A new type of organisation struggling to make a position for itself against the well-established and well-understood system of individual enterprise is usually subject not merely to ordinary competitive pressure, but to open hostility and frequently to severe price-cutting, since its entry into the field is a direct challenge to the existing trading system. With economic friction at a maximum, the percentage of failures must inevitably be high. It has to be remembered, however, that the percentage of failure in private enterprise is also high, if the word "failure" is used not in the sense of actual bankruptcy, but of withdrawal from business. There are, however, no records on which a comparison can be based.

Another consideration is that co-operative marketing enterprises have been, up to the present, mainly of an experimental nature. They have taken the form of local efforts to alter local conditions and have not, as a rule, envisaged any wider scheme affecting the marketing system as a whole. It is true that they may be regarded as attempts to embody in local societies some of the factors which have proved successful in other countries; but there has frequently been insufficient appreciation of the difference in conditions, of the magnitude of the problem involved, and of the experience of individual traders in the same line of business.

It should be borne in mind also that a society may disappear from the register on amalgamation or reconstruction. Again, at least two of the most successful milk societies in the South-East of England have, within the last three years, merged with an existing joint-stock organisation. Such cases may, however, be regarded as failures, in the sense that if successful societies are liable to be absorbed into the ordinary system of joint-stock enterprise, it will always be peculiarly difficult, if not impossible, to build up a co-operative organisation based on the Industrial and Provident Societies Acts as a definite system for the sale of agricultural produce.

One of the most usual causes to which failure among milk societies has been attributed is the practice of paying members for milk at rates not fully justified by the societies' returns. It is curious that farmers should be the chief instrument in weakening the societies they themselves have formed for their own benefit. The facts, however, appear to be well established, and if producers are not willing to submit to such necessary deductions from milk-prices as will establish their organisations upon a sound financial basis, then the system cannot continue. The essence of the matter is that supplying members frequently insist on demanding such prices for their milk that societies are not always able to make a sufficient gross profit on sales to cover

their overhead expenses; this is clearly unsound finance. Committees of management cannot always be absolved from blame in this matter. A factor to remember in this connection is, however, the practice of competing firms of deliberately offering better prices for milk than the society can strictly afford to pay in order to draw members away. This must, at times, place societies in the difficult position of choosing between the payment of uneconomic rates for milk and the falling-off of supplies.

A further cause of failure is what is commonly alluded to as "bad management." This sometimes means incompetent and amateur management on the part of both the manager and the committee—co-operative enterprise has had its full share of this—which frequently tends to the unsound price-policy mentioned above, shortage of capital, ill-advised capital expenditure, small local turnovers, and so on. Indeed, the lack of loyalty on the part of members and the lack of adequate local support, which have, in themselves, been causes of failure, may not infrequently be traced to the effects of indifferent management in the first instance. It remains to be observed that farmers' societies are particularly sensitive to the loss of a good manager or enthusiastic founder. Not a few failures can be traced to such misfortunes.

It may be noted that, apart from an instance in South Wales in which four societies are concerned, and Stapleton Cotton House, Ltd., in North Wales, which is an administrative and trading centre for a number of small societies in that area, no federations of dairy societies exist for trading purposes. It is possible that a certain proportion of failures might have been avoided if there had been some effective system of co-ordination between societies in their trading arrangements. The general subject of trading federations is dealt with in a subsequent chapter.

In view of this somewhat sombre recital of causes of weaknesses and failures, it may be asked what have the dairy societies done for the farmer? The answer would appear to be that they have helped to safeguard their members' position by providing a competitive price against which to measure the offers of private enterprise and have frequently created whole-milk outlets where previously none existed. It is often claimed, though it is difficult to prove, that the societies give the farmer more for his milk than other agencies, and therefore cut into the distributive margin. Some societies can certainly show good results, but owing to the difficulty of obtaining comprehensive gallonage figures, it is not possible to work out the unit cost of handling per society which would have afforded a basis of comparison and would have shown, in terms of cash, the direct economic advantage of combination in individual cases.

Summarising the main issues raised by this survey, it is evident that there are a number of serious questions concerning trading methods, membership, business efficiency and financial policy, which face the milk and dairy societies, and, unless

some change is made in the whole outlook of producers, it is difficult to see how sound societies with adequate capital resources, power of expanding markets, keen management, and a satisfied and loyal membership can be built up in great numbers.

The existing societies can hardly be considered as other than experiments in a new and unfamiliar form of marketing organisation, and the stage has not yet been reached when they can be looked upon as having made a positive contribution to the solution of marketing problems in this country. At present, notwithstanding the undoubted success of some among them, the majority are but unimportant variations of the middleman system.

CHAPTER V.—EGG AND POULTRY SOCIETIES.

(i) Development.

(a) 1901 to 1914.—The year 1902 saw the first registered egg and poultry societies, 8 being registered during that year ; by 1913 the number had increased to 41. An important development which may first be mentioned dates from 1898, when the National Poultry Organisation Society was formed in London and included among its objects (a) the bringing of producers of eggs and poultry into closer touch in order to secure the best available market at the minimum of cost ; (b) the maintenance of regularity and uniformity in supplies marketed, and (c) the provision of facilities for rapid transit. It was not contemplated that the society would itself engage in trade, but that it should promote the establishment of collecting depôts in various parts of the country. Grading and testing at the depôts and the adoption of a standard egg-box were encouraged, while a trade mark (" Rose ") was introduced for the purpose of branding tested and guaranteed supplies.

It was not at first proposed that the depôts should be separate co-operative entities. They were merely " loose combinations " of producers whose interest in the London organisation was that of members of local non-corporate branches. The promoters appear to have had in mind, in the first instance, at any rate, a centralised scheme of organisation pivoting on the society in London, the country depôts serving as points for the concentration of produce prior to its dispatch to buyers on advice from headquarters. By the year 1913 the number of egg-collecting depôts, mainly unregistered, operating under the ægis of the National Poultry Organisation Society was 46, as compared with 13 in 1901. The opening of a depôt in any district was said to improve, directly or indirectly, the prices obtained by producers. In many districts the only alternative was sale to higglers, who paid what they liked and marketed the eggs on antiquated lines.

In 1902, the question was discussed of forming one central selling agency for the existing societies and, in 1906, the British Poultry Federation was formed for the purpose. This became the special marketing section of the National Poultry Organisation Society and, from 1909 until 1913, the latter society, by arrangement with the Agricultural Organisation Society, made itself solely responsible for organising outlets for the produce of egg and poultry co-operative undertakings generally. In 1913, the two organisation societies were amalgamated. Both figured in an important innovation in 1910, namely, the South Wales Egg and Poultry Demonstration Train—the first of its kind in Europe. As a result of the tour, a number of trading societies formed egg-branches, and one new depôt—the Boncath Egg Depôt in Pembrokeshire—was registered.

By the year 1913 two difficulties had appeared which checked the formation of new societies and the establishment of further depôts. One was the incompleteness of the arrangements for the disposal of the societies' produce, and the other, the unbusinesslike methods of a number of societies which tended to spoil both the markets and the reputations of societies generally. As regards the first of these difficulties, unless producers could see with reasonable certainty that their supplies could and would be disposed of satisfactorily by any projected society, they were indisposed to join it and to run the risk of sacrificing existing outlets which, while not entirely satisfactory, were at least reliable—a point of some importance for perishable commodities. With regard to the second difficulty, cases were reported of societies that collected eggs only once a week and of others that merely purchased eggs in the weekly markets of the district. In others, the testing for quality and size were perfunctory, while, as between one society and another, price-cutting appears to have been frequent and serious.

It was partly with a view to improving generally this state of affairs that a second demonstration train was arranged in April and May, 1913. North Wales was selected for the tour. Apart from facilities for the practical demonstration of the grading and testing of eggs, and exhibits, aimed at stimulating and improving production, the equipment of the train included specimen egg-boxes of various approved makes, and examples of methods of packing—cases of eggs being displayed from Ireland, Denmark, France, Italy and Russia to show the competition which home-producers had to face. Demonstrations were also given of improved methods of tying-down and packing dead poultry. Over 20,000 people visited the train.

The Anglesey Egg-Collecting Depôt (*see* page 67) trebled its turnover in eggs in that year from 215,031 to 656,322. In the following year, it was reported that the work of societies throughout the country showed a marked improvement.

(b) 1914 to 1924.—No group of agricultural co-operative societies had a better opportunity in the early days of the war of developing and capturing the home market than those dealing in poultry and eggs, if only on account of the partial failure of foreign supplies and the comparatively small amount of capital required to expand the business. That circumstances were, on the whole, favourable is shown by the net increase in the number, membership and turnover of societies during the war period, but development would, no doubt, have been greater if home-produced eggs had not enjoyed ready sale at the remunerative prices then prevailing.

In 1914-15 there were 39 egg and poultry societies in existence, of which 36 were in England and 3 in Wales. They were mostly small and scattered. Some of them, in addition to their egg-collecting functions, traded in poultry food on behalf of their members. The total membership of societies was 3,572.

and their total turnover £87,114; but one society, namely, the Framlingham and District Agricultural Co-operative Society in Suffolk, alone accounted for 21 per cent. of the former and 42 per cent. of the latter. In addition, a number of farmers' general trading societies undertook the sale of eggs, purchasing them outright from both members and non-members, any profits earned being added to the general profits of the undertaking. For example, the Eastern Counties Farmers' Co-operative Association, in 1914, disposed of 3,722,892 eggs of a value of £18,777.

The year 1915-16 witnessed an increase in both turnover and number of societies, ten new undertakings being formed, eight of them as the result of a demonstration train which toured the South Western counties, held meetings at fifty centres and was visited by 8,863 people. Increases in turnover occurred mostly among those societies which had decentralised the collection of eggs in their areas by establishing sub-depôts. The larger societies had already actively developed this principle with remarkable results. Indeed, in the Framlingham Society, the Golden Vale Society in Cornwall, and the Egg Department of the Eastern Counties Farmers' Co-operative Association, England possessed at that time three of the largest individual co-operative egg organisations in Europe, handling between them over seventeen million eggs yearly.

In the year 1916-17, seventeen more societies came into being, Yorkshire and Middlesex being prominent centres of development. Feeding-stuffs had, by then, become scarce; hence, among the new societies classified as egg and poultry undertakings, were a number which had been formed in urban districts mainly to assist local poultry-keepers to purchase their requirements in bulk.

By 1918-19 the Agricultural Organisation Society reported 71 societies, with a total membership of 10,796. Progress might have been even more marked but for the imposition of control in December, 1918, and the fact that many of the larger societies were competing for the same outlets on the London market which resulted in under-cutting and friction. Moreover, the abnormal demand for eggs, particularly in areas where troops were concentrated, had the effect of raising the local selling prices of unsorted eggs beyond that obtainable for tested and graded eggs consigned to distant centres, with the result that some societies closed down, notably in Wiltshire, where the South Wilts and Bradley Depôts ceased business.

By the year 1920, although the turnover and membership of societies, as a whole, showed an increase, the number of societies had gone back to 57. The societies which disappeared at this time were mainly the smaller concerns, including many which were created to meet the war-time emergency with regard to feeding-stuffs.

Of forty-five societies existing at the end of 1921, twenty confined their operations to the purchase of poultry feeding-stuffs for their members; the sale of eggs and poultry (mostly eggs)

of the remaining twenty-five amounted to £525,863, of which amount the Framlingham society alone contributed 53·5 per cent. In addition, twelve farmers' general trading societies collected and sold eggs to the value of £63,061.

In December, 1921, the scheme was launched which resulted in the formation of British Egg-Producers. This was the latest of a series of efforts to promote the centralised co-operative selling of eggs and poultry produce. It is interesting to follow these efforts through. Reference has previously been made to the formation of a central selling agency, namely, the British Poultry Federation in the year 1906. This body was registered in 1911. A number of egg-societies formed both by the National Poultry Organisation Society and by the Agricultural Organisation Society supported it. Unfortunately, the commencement of its operations coincided with the railway strike of 1912, and a heavy loss was incurred in handling large quantities of eggs for which only a limited outlet could be found, the dealers having made other arrangements to obtain their requirements as soon as the strike threatened. The society was hastily wound up, probably unnecessarily. Within a short time, the British Table Poultry Society, subsequently renamed the British Poultry Society, was formed. This society acquired the assets of the Federation, and traded successfully until supplies fell off as a result of war conditions. It was eventually taken over by the Agricultural Wholesale Society (*see* Chapter XII) which ran it as a special department for three years, at the end of which the British Egg Producers was formed to take over the business and to carry on the functions of dealers in poultry and poultry appliances, and to act as a central selling agency for all co-operative egg and poultry societies, as well as for individual producers generally. Capital was to be raised by an issue of shares and loan stock. The central distributing warehouse and offices hitherto utilised by the Egg Department of the Agricultural Wholesale Society were taken over. It was proposed to open up distributing depôts in other large towns as business developed. It was anticipated that a commission of 5 per cent. would cover the cost of working, but if it proved more than adequate, any surplus was to be returned to members proportionate to the value of the produce they had supplied. Shares were of the value of £1 fully paid; co-operative societies were required to take up ten shares as a minimum qualification, clubs, &c., two shares, and individual poultry-keepers one share. In order to finance the society, a deduction of $\frac{1}{2}d.$ per dozen from the value of eggs sold was to be made and the amount so deducted credited to members' share accounts.

The society commenced business with a membership of 348 and a paid-up share capital of approximately £1,566, showing that the scheme did not receive the support the promoters anticipated. In its first year's trading on a turnover of £14,207, it showed a loss of £268. In its second year, an increase of turnover and membership was shown; market conditions, however,

resulted in another loss. The profit-making capacity of a central concern of this nature must naturally be determined by the measure of support it receives and if, as in this case, most of the large and well-organised societies stand out, its chances of success must be seriously prejudiced. The society still exists, but it does not as yet appear to have secured the support required.

Reference may be made to the formation, in 1924, of a large society, with over 800 members, registered as Co-operative Poultry Products, and having for its primary objects the purchase, treatment and disposal of poultry, surplus to the requirements of the breeder and rearer. The scheme aims at improving the unsatisfactory prices received for the surplus cockerels and old hens incidental to the raising and rearing of pullets for egg-production. It is proposed to fatten the birds, and either to market them duly graded according to age, weight and condition, or to convert them into suitable products such as potted-meat. A feature of the scheme is the provision of refrigerating facilities, which, it is hoped, will serve to level up supplies and stabilise prices. As a subsequent development, the society has taken up the marketing of members' eggs, and an effort is being made to compete with Dutch and Danish supplies by guaranteeing the freshness of the produce marketed. Although the society has only been in existence a few months, its turnover is already considerable.

(ii) Classification and Present Extent.

Egg and Poultry Societies may be classified in two groups : (a) those in which the marketing of eggs and poultry form the predominant purpose of the organisation ; and (b) those in which the marketing of these products does not constitute the chief form of trading. Particulars of societies existing in 1923-1924 are given in Tables V and VI (pp. 185 and 186).

It will be noted that there are 20 societies in group (a) (Table V) with a total turnover in eggs and poultry of £284,671, and 23 societies in group (b) (Table VI) with a total turnover in eggs and poultry of £65,205, making 43 societies in all with a total turnover in these commodities of £349,876. With regard to group (b), it should be explained that there are a number of other general trading societies which also handled eggs and poultry during 1923, but either in quantities too small to justify tabulation, or in respect of which information is unobtainable.

Table II, page 177, shows the distribution of these societies through 29 counties in England and Wales ; they show no tendency to concentration in particular areas. Of the 20 societies in group (a), 13 confine their activities to the sale of eggs and poultry, the remaining 7 supplying their members, in addition, with poultry food, appliances and other requirements. It will be observed also that 15 societies in this group have a turnover in eggs and poultry of under £10,000 each, indicating the

restricted lines on which the majority operate. With regard to group (b), it must be observed that in view of the facilities for collection offered by most dairy societies, it is somewhat surprising that so few are engaged in marketing egg and poultry produce.

It may be noted that some of the co-operative auction marts (see page 103) sell eggs and poultry. The Melton Mowbray Farmers' Association, for instance, sells poultry by auction (page 107), while the Kent and Sussex Farmers (page 98) auctioned poultry to the value of £15,000 and £17,200 and eggs to the value of £2,500 and £2,800 in 1923 and 1924 respectively, apart from sales at Covent Garden. The Pershore Co-operative Fruit Market (page 87) and the Growers' Sales (Coventry) (page 98) also auction both eggs and poultry, the latter receiving eggs from various farmers' societies including the Anglesey, East Devon, Beaminster, Dunster and Williton and Clynderwen Societies. Otherwise, so far as is known, the quantity of egg and poultry produce auctioned co-operatively in this country is very small, although the method of disposal by auction is common at country markets in the ordinary course of trade.

(iii) Examples of Two Egg and Poultry Societies.

- (A) The Framlingham and Eastern Counties Co-operative Egg and Poultry Society.
- (B) The Anglesey Egg-Collecting Dépôt.

A) THE FRAMLINGHAM AND EASTERN COUNTIES CO-OPERATIVE EGG AND POULTRY SOCIETY.

This Suffolk Society, which celebrated its coming-of-age this year, is an example of a remarkable development from small beginnings. Early in 1903, the Framlingham Farmers' Club was addressed by Sir Horace Plunkett on the subject of co-operation generally, and, subsequently, by an officer of the Agricultural Organisation Society. As a result, a committee was appointed to consider the formation of a farmers' co-operative society for the purchase of agricultural requirements. The idea of forming a society for the main purpose of marketing eggs was, apparently, not entertained. The Framlingham Society, as it is now widely known, was duly registered and commenced business for the purpose stated. By the end of 1903, it had enrolled 114 members who held between them 1,600 shares of the value of £400. At the end of 1924, its members numbered 5,890, holding 58,581 shares, for which they had collectively subscribed £14,645 5s. 0d.

It so happened that the society was formed at a time when, as a result largely of technical instruction, the production of poultry and eggs in Great Britain was increasing. This increase was not accompanied by adequate outlets or improved methods of marketing, although, at such places as Fakenham and Stoke Ferry in Norfolk, eggs were being collected, tested, marked,

packed and put on rail with commendable efficiency. Moreover, imports of the cheaper grades of eggs were rapidly increasing, particularly from Russia, Italy and Roumania. At the same time, large quantities of eggs were being disposed of in the society's area at the low price of 24 for a shilling, although, notwithstanding increased imports, more profitable prices could with certainty have been obtained on the London market. It was soon recognised, therefore, that while the original object of the society was the collective purchase of members' requirements, it could with advantage apply its energies also to the marketing of eggs and poultry. During the first half-year of its existence, it despatched over 56,000 eggs to the order of the National Poultry Society in London, showing, with a turnover of £1,136, a net profit of 6½ per cent. on capital, after allowing for the expenses incidental to formation.

The history of the society is somewhat bound up with that of the Eastern Counties' Farmers Co-operative Association, now the largest and one of the most successful general trading societies in Great Britain, as, until the year 1916, both organisations were engaged in conducting similar businesses on frequently identical ground. In that year the Great Eastern Railway Company inaugurated an egg and poultry demonstration train to serve East Anglia, and, with the object of unifying the egg and poultry interests of the two Societies, suggested that an arrangement should be entered into whereby, in exchange for the egg and poultry business of the Eastern Counties Farmers' Co-operative Association, the Framlingham Society should hand over to that association its goodwill in trading in other than those commodities. The transfer was effected in March 1917.

The members of the Framlingham Society are mainly farmers, although many small holders and cottagers hold shares. About 2,000 of the 5,585 members hold each only one share of 5s. The main area of the society's operations now comprises the counties of Lincoln, Cambridge, Norfolk, Suffolk and Essex. Support from Lincoln and Essex is limited, probably, in the case of Essex, owing to its proximity to the London market. During its existence the society has absorbed two smaller societies, namely, the Lothingland Society and the Wayford Tenants, and has also acted as agents for the Bedford Small Holders and Sutton Bridge Societies.

Collection.—In addition to the society's headquarters and collecting depôt at Ipswich, it has forty-three collecting depôts distributed over its area. At five of these, namely, Attleborough, Debenham, Framlingham, Stalham and Wisbech, the premises occupied are the society's own property. Collection takes place continuously from these forty-four depôts, all members being regularly called upon. The ten larger centres are each equipped with a Ford van; the remainder use mainly horse-drawn vehicles. Each depôt is under the management of a collector.

Collectors are notified from head office at frequent intervals the prices they are to pay for eggs per score and per dozen as

from the date of receipt of the advice. They are also authorised to make deductions from the notified price in respect of dirty and stained eggs and "smalls."

All bad eggs are returned to the producer. Collectors forward "stock" sheets to head office each month. These are compared with office records and discrepancies notified to the depôt concerned. Some collectors are paid a fixed wage, some on commission and others at a wage plus a commission on all eggs collected over and above a certain number. On the whole, the last arrangement is said to have proved to be the best. Members may either be paid cash down for their eggs, or may be paid monthly if preferred. Collectors are provided with an imprest account, the society frequently having over £6,000 in its collectors' hands at a time.

Methods Adopted to Improve the Quality of Eggs.—The society at one time adopted the policy of stamping eggs, each member being supplied with a small rubber stamp for this purpose. The stamp bore a distinctive letter and number, so that every egg could be traced not only to the despatching depôt, but also to the member concerned. Exception was taken to this practice by traders, whose attitude eventually forced the society to abandon it. Eggs bearing a brand are apparently suspected by consumers as being of foreign origin and objected to accordingly.

The method now adopted to enable unsuitable eggs to be traced back to the actual senders is for each member's supplies, as collected, to be retained in separate containers, which are ticketed with the member's name. Eggs found to be below standard are returned to the actual sender, who is required to replace them. The deductions that collectors are authorised to make in respect of eggs below a certain standard have produced satisfactory results; an improvement in the general quality of eggs is said to be noticeable. In addition, the committee encourages members to improve their stock and, where necessary, undertakes to supply pure-bred cockerels for the purpose.

Supplies.—The society is now so firmly established that supplies are well maintained, and it is satisfactory to be able to record the fact that members cannot readily be induced to dispose of their eggs in other directions. A large number of eggs are sold by auction at the various market-towns in the district, these sales being attended by London buyers; as a rule the society's prices for eggs rule higher than those obtainable at auctions in the spring, while the auction prices are higher than those of the society in the summer. Taking the year round, however, the society's prices are said to average out at a higher rate.

The Depôt System.—Depôts are established with primary regard to railway facilities and to the importance of the area from a producing standpoint. As already stated, each depôt area is managed by a collector. Eggs, when collected, are sorted,

tested, graded and packed at the respective depôts whence they are despatched directly in such quantities and to such customers as may be notified from headquarters at Ipswich where all sales are effected. Collectors are responsible for the quantity and quality of all eggs leaving their respective establishments, but not for invoicing, sales, or the collection of debts. Empties are returned by purchasers to the depôt, from which their consignments were received, special labels being printed for this purpose and attached to each case.

Owing to the time which would elapse before eggs from outlying districts could be received, it is regarded locally as impracticable for a society covering so large an area as that of the Framlingham Society to arrange for eggs to be collected at one centre only and there tested, graded, packed and despatched. The present system of prompt despatch from various centres ensures that the society's eggs are received by customers in the freshest possible condition. The society is always prepared to consider the practicability of establishing depôts or appointing agents with a view to forming fresh collecting centres wherever a sufficient demand for the facilities exists among the producers concerned.

Storage.—The society does a large trade in preserved eggs, for which it finds a ready market, quantities frequently being sold on forward contract. The committee felt their way gradually in this matter. At first large tubs were purchased, and about 60,000 eggs treated during the season. These were supplemented by a dozen cement tanks, each holding about 8,000 eggs, which were installed at Framlingham. Forty-two similar tanks were next built at Ipswich; these were supplemented, in due course, by eleven reinforced concrete tanks each holding 120,000 eggs, the result of a visit of two of the committee to Denmark. Eight larger tanks followed in 1923, each holding 150,000 eggs, while six still larger tanks were installed in 1924 capable of holding 180,000 eggs each. These displaced the 42 smaller tanks referred to. The preserving facilities at Ipswich are considered to be unique, a large building at the rear of the society's offices having been dug out and underpinned in order to accommodate the large reinforced concrete tanks referred to. These are built on the American Kahn system, and measure approximately 8 feet long by 7 feet broad and 7 feet 6 inches deep. The tanks have a total capacity of three-and-a-half million eggs, which, together with the society's preserving accommodation at Stradbroke, Framlingham and Wisbech, gives it a total pickling capacity of 4,000,000 eggs.

Poultry Trade.—The society, in addition to trading in eggs, undertakes to market poultry, game, rabbits and dairy produce, the last only to a limited extent. At the Ipswich premises, fattening coops are installed, where the chickens received from members are dealt with by assistants skilled in feeding and preparing birds for market.

The numbers dealt with, as the following Table shows, have fluctuated during the past few years, mainly due to the uncertainty of the Christmas trade, which absorbs a large proportion of the society's supplies of poultry. In any event, this department of the society's trade accounts for a relatively small proportion of the total turnover.

Year.	Turkeys.	Fowls.	Ducks.	Geese.
1920 - - -	1,612	2,325	383	58
1921 - - -	3,060	1,293	329	101
1922 - - -	1,025	6,234	860	91
1923 - - -	567	4,216	454	80

Railway Facilities.—The society does not complain of its railway facilities. As regards charges, specially advantageous rates have been customary in the eastern counties for farm produce and eggs for many years. In addition, the usual reductions are made in respect of bulk consignments. The large scale on which the society operates enables it to take full advantage of these concessions, and to confer on its members a benefit which, as individual consignors, they could not enjoy.

Sales Organisation.—All sales are effected from the society's registered offices at Ipswich, from which quotations are issued weekly to its numerous customers, the majority of whom are retailers, and to other likely buyers. The society does not employ travellers or commission agents. Selling costs, apart from those attributable to headquarters' organisation, are nil. The terms of business are :—" Deliveries Carriage-paid," " Cash with Order," or " Bankers' Reference " in the case of weekly accounts. Customers pay carriage on returned empties. The society does not accept liability for breakages in transit on consignments of less than twenty-dozen. Quotations are fixed by the manager, who maintains constant touch with the London and other markets and regulates his prices accordingly. The bulk of the society's output goes to London, but a fair proportion is despatched to the Midlands. The majority of the preserved eggs are disposed of in London, Manchester and in the Midlands. Apart from sales effected locally, the whole of the society's output is railed out of its area. About three-fourths of the total sales are made to retailers or direct to consumers.

Administration and Management.—Administration and accountancy are centred at Ipswich, where spacious premises have been acquired comprising offices, store rooms, poultry fattening pens and the building containing the preserving-tanks. The management of the society is conducted by a central committee of fifteen members which meets monthly. This committee delegates certain powers to an executive committee of six members, who are generally responsible to the central committee

for the conduct of the society's business. The total staff employed averages 95, of whom the larger proportion are men.

The system of accountancy followed, involving as it does, in a business of this nature, the recording of many thousands of transactions weekly, is remarkable for its simplicity, clearness and accessibility of detail, a factor to which the smooth running of the business is largely due.

Results.—The diagram on the following page illustrates the general progress of the society. Table VII (p. 187) gives details as to membership, share capital, sales, bonuses and eggs handled each year since the society's formation.

It will be seen from the Table that the society has handled well over 200 million eggs in the course of its career and has paid bonuses to members amounting in all to nearly £30,000. The society has consistently paid 5 per cent. on its shares and is stated to be one of the largest farmers' co-operative egg marketing undertakings in the world.








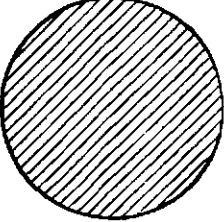


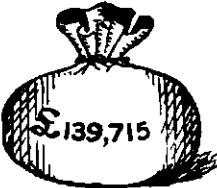






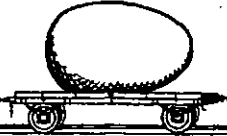
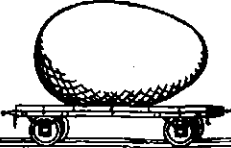
It may be pointed out, however, that notwithstanding the fact that members can join for a payment of 5s., the society does not confine its operations solely to members, but also accepts eggs from non-members—though these non-members do not share in the bonus. The society does not ask for any guarantee of supply, leaving its members free to test the market if they like. It buys eggs at a price which is fixed weekly, in advance, and thus takes the risk of a rise or fall. The price paid is fixed per score without particular regard to size, it being the business of the collector to see that the eggs bought represent a fair average and do not include an undue proportion of under-sized eggs.

The society has grown very much in recent years, and it is believed that its progress is in the main due to the introduction of storage facilities, which enable it to accumulate stocks in the glut season and sell advantageously when supplies are short. This has enabled it to make profits which, being distributed in the form of bonus on eggs supplied, attract new members and act as a deterrent to disloyalty.

B. THE ANGLESEY EGG-COLLECTING DEPÔT, LTD.

This society was the outcome of a meeting of the Anglesey Branch of the Welsh Industries Association held in 1911. At this meeting it was stated that eggs were then being sold in Llangefni market at twenty-four to thirty for a shilling. Indeed, the demand for the meagre supplies marketed was so poor that producers frequently found their eggs unsaleable and had to take them home again. One obvious cause of this state of affairs was the lack of organised marketing arrangements as a result of which poultry-keepers were producing for a purely local demand. Figures supplied at the time by the London and North Western Railway Company showed that the quantity of eggs exported from the island to consuming areas was negligible.

**— THE FRAMLINGHAM & EASTERN COUNTIES —
CO-OPERATIVE EGG & POULTRY SOCIETY LTD.**

1904	1910	1917	1923
<p><u>MEMBERS</u></p>  <p>171</p>	 <p>428</p>	 <p>1,808</p>	 <p>5,585</p>
<p><u>CAPITAL</u></p>  <p>£756</p>	 <p>£1,417</p>	 <p>£3,817</p>	 <p>£14,638</p>
<p><u>SALES</u></p>  <p>£5,050</p>	 <p>£18,136</p>	 <p>£139,715</p>	 <p>£160,822</p>
<p><u>BONUSES DISTRIBUTED</u></p> <p><i>Nil</i></p>			
<p><u>EGGS PURCHASED</u></p>  <p>453,079</p>	 <p>3,029,113</p>	 <p>16,666,846</p>	 <p>20,962,569</p>

Egg-production, in fact, was hardly looked upon as a supplementary source of income, still less as a means of making a living.

No particular enthusiasm was shown by egg-producers towards the proposed society, and had it not been for the backing of a few public-spirited people who, between them, took up shares to the value of £180, it would in all probability never have been formed at all. The total amount subscribed by producers themselves was only £5, making a total capital of £185, with which the society was actually registered in April, 1911. One of the earliest difficulties was that of educating members in the wisdom of supplying fresh and clean eggs for disposal. Slowly, but surely, the society has gained the confidence of its members and the goodwill of its customers. It has achieved a considerable measure of success and can fairly claim to have exerted a powerful influence on the egg and poultry industry of the whole island. The establishment of a county poultry station at Llangefni, the introduction of egg-laying contests, and the appointment, in 1919, of an expert who visited and advised members on poultry-keeping and egg-production, have all contributed to a noticeable revival in poultry-keeping and reflect the changed conditions for which the activities of the society were, in the first instance, partly responsible.

Collection.—The society's collecting area is the county of Anglesey and a strip of the Carnarvonshire coast between Bangor and Carnarvon, but its membership is scattered. Collection is carried out by means of five Ford vans, two of which operate from the central dépôt at Llanfair P.G., the remainder being centred upon and maintained at Llanerchymedd, Rhosgoch and Bodorgan respectively. The three vans utilised on the latter services do not convey consignments to the central dépôt. The eggs they collect are despatched to the central dépôt by rail, this method being more economical than through deliveries by motors which, as the society does not trade in members' requirements, would otherwise make long return journeys without freight. Eggs are delivered to the dépôt by the Llanfair P.G. collectors daily; those from the other districts arrive the day following collection. Collection proceeds every day except Saturdays and Sundays. Saturdays are devoted to the cleaning and overhauling of the vans. The five collectors are paid a fixed weekly salary, plus 1s. 3d. per 1,000 eggs collected, their aggregate wages and commission amounting to approximately £550 per annum. The society has an arrangement with a firm of motor engineers whereby, for a fixed charge, the vans are maintained in good running condition. Collectors are provided with cash varying from £50 to £100, according to the season, to enable them to pay for eggs purchased; the buying price being at a flat rate which is fixed at the society's headquarters every seven days, and notified to collectors by postcard each Friday morning. This postcard is shown by them to suppliers.

Long egg-boxes of 30-dozen or 20-dozen egg capacity with sectional fittings are provided for the use of those collectors not delivering direct to the depôt. Empties are railed to these collectors in lots of not less than twelve 30-dozen boxes at a time in order to effect a saving in rail charges.

The system of checking collection and delivery is simple, each collector being supplied with a book of duplicate vouchers, one of which is given to the supplier to whom it serves as a receipt. The supplier forwards these vouchers to the depôt every month. The following is a specimen of the vouchers used :—

ANGLESEY EGG-COLLECTING DEPÔT, LTD.

No. 30600 Date.....192 . Collector's Initials.....
 Received of Mr..... No.....
 New Laid Eggs at.....
 per.....
 Amount paid £.....

In addition, those collectors who rail eggs to the society's depôt are supplied with invoices, one of which they are required to complete and place inside each box forwarded; these invoices constitute the record of collection and enable the collectors' imprest accounts to be regulated and adjusted as required. They take the following form :—

ANGLESEY EGG-COLLECTING DEPÔT, LTD.

Date.....
 Forwarded to Llanfair Station :
30 dozen boxes.
20 dozen boxes.
 No. of Eggs.....
 At..... per dozen
 Total paid for Eggs £ : :
 Commission £ : :

 Total due to Collector £ : :

Signature and Address of Collector :

A copy of this Invoice to be sent with each consignment, and to be placed inside one of the boxes.

Depôt.—The central depôt to which all eggs are forwarded by the collectors, was erected for and leased to the society by the London and North Western Railway Company, which extended it in 1917 by adding a new testing and store room. It is built on the passenger platform at Llanfair P.G. and so situated that crates of eggs can be loaded directly from the depôt into the railway vans, handling being reduced to a minimum. It consists of a single-storied substantially-built wooden building, which is well-lit and ventilated and subdivided into departments where the different processes of checking, sorting, grading, testing, despatching, &c., are carried out. Adjacent to this building is the society's registered office.

Testing and Grading.—Immediately on arrival at the depôt, all eggs are tested. Women are employed for the purpose, two of whom have been engaged on this work since the formation of the society and are able to test 6,000 eggs a day each on an average. Where necessary the eggs are cleaned. They are then graded into "firsts," "seconds" and "thirds." "Firsts" are new-laid, tested and graded eggs, averaging 16lb. to the long hundred, i.e., 120 eggs; "seconds" are new-laid, not graded, and average 14 lb. to the long hundred; "thirds" are tested, fresh eggs, not graded, of mixed sizes, and may include ducks' eggs amongst their number. The average difference in selling price between these grades is 2s. 6d. per 120 between "firsts" and "seconds" and 6d. per 120 between "seconds" and "thirds." Owing to the practice of paying members a flat rate for all eggs sent in, "seconds" and "thirds" are frequently sold below cost, the society depending for its profit upon the sale of "firsts."

Stamping.—The number of bad eggs received by the society became so large in 1923 that there was a danger of the depôt closing down, the loss from bad eggs being, at that time, over six hundred pounds annually. To overcome the difficulty, it was decided to supply each member with a rubber stamp bearing an allotted number and to require all members to stamp all eggs sent in. Collectors were instructed not to accept unstamped eggs. Opposition to this arrangement on the part of both members and purchasers was experienced at the beginning, and still persists; but the practice is being continued. The quantity of eggs supplied has decreased, but quality has considerably improved. Eggs which when tested are found to be bad are stamped with that word in red ink, placed in a compartment reserved for the collector from whose district they were received and delivered to him, in due course, for return to the member whose number they bear. The member then refunds to the collector the amount he was actually paid for the eggs concerned.

The following comparison between the quantities of eggs in various categories forwarded to the depôt for three months in 1923 immediately prior to the introduction of the marking

system, and corresponding quantities for three months in 1924, is instructive :—

Period.	Total No. received.	Firsts.	Seconds.	Thirds.	Cracked.	Broken.	Blood.	Bad.
July to Sept., incl., 1923.	530,692	350,418	—	163,621	5,108	2,534	1,817	7,194
Aug. to Oct., incl., 1924.	328,598	257,308	20,441	43,333	2,845	1,686	2,019	966

The reduction in total numbers is mainly seasonal. The society anticipates that the practice of stamping will ultimately react to its advantage.

Sales and Distribution.—The society has on its books many buyers who have dealt with it over a number of years. These are mainly in Manchester, Birmingham, Liverpool and Birkenhead, ninety per cent. of the society's output being despatched by rail to these and adjacent centres. The manager is responsible for all sales. It is interesting to note that an important proportion of the society's business is with industrial co-operative societies; these are large purchasers of first quality eggs. Less than 15 per cent. of the society's total sales are to the wholesale trade, a valuable retail connection having been established. Few bad debts have been contracted. Local sales are made chiefly in Bangor and the neighbouring seaside resorts of Colwyn Bay and Llandudno.

All eggs are despatched in ten, twenty and thirty-dozen cases with card or leather-board sections, interleaved with straw: these are returnable and charged for, but not debited to the purchase account, a special empties account being kept. A considerable number of these cases are purchased from a farmers' co-operative egg society in Somerset which manufactures them. Every customer on the society's books, and every likely customer, receives on Saturday morning a postcard quoting the society's prices for eggs for one week as from the following Monday.

Selling prices are regulated by the ruling prices at which eggs are sold by producers on Llangefni market as published in two local journals, a fixed sum to cover overhead, establishment and freight charges being added to arrive at the price at which the eggs are offered to buyers. The business is run mainly on a cash basis, and no discounts are allowed.

The society does not preserve eggs during periods of glut, but is considering the advisability of doing so; it does not deal in any poultry produce other than eggs, neither does it trade in members' requirements.

Results.—The following table shows the general progress of the society and the financial results achieved since its formation.

Year.	Mem-ber-ship.	Paid up Share Capital.	Re-serves.	Number of eggs Purchased.	Turn-over.	Net Profit.
		£	£		£	£
1912	49	183	—	—	1,257	—
1914	55	304	—	—	5,521	—
1917	173	370	—	2,091,727	15,821	513
1920	657	1,495	623	2,349,346	35,808	481
1921	729	1,584	727	2,474,295	28,015	299
1922	769	1,630	837	2,439,015	20,666	274
1923	801	1,660	897	2,270,324	15,600	—
1924	809	1,677	897	1,915,802	14,318	49

Internal Administration.—Accountancy is centralised at Stapleton Cotton House, Ltd., the agricultural co-operative centre for North Wales. A careful and accurate daily record of eggs received at and despatched from the depôt is kept, from which the stock, if any, which should be in hand is ascertained. The eggs in store are counted nightly and should agree with the number shown on the daily return.

Forms (shown below) are utilised for this purpose, the first being the tester's return of eggs received, the second recording the numbers and grades actually despatched on sale.

RETURN OF EGGS.

DATE.....

Collector's Name:	Bought.	Firsts.	Seconds.	Thirds.	Cracked.	Broken.	Bad.	Total.

NUMBER OF EGGS SENT OFF.

—	Firsts.	Seconds.	Thirds.	Totals.
MONDAY				
TUESDAY				
WEDNESDAY				
THURSDAY				
FRIDAY				
SATURDAY				

The society is administered by a general committee of fifteen members with a management committee of four members which meets on the first Tuesday in every month. The general committee is representative of the collecting area as a whole, and is responsible to the members for the efficient conduct of the undertaking.

Difficulties.—Notwithstanding the efficiency of the society, there is stated to be a tendency among some of the members to be disloyal. For example, dealers supplying seaside resorts during the "season" are sometimes prepared to pay more than the society is offering. When this happens, there are always some members ready to sell to them and to desert the society until these outlets have ceased to be available. There are also a number of members who only deliver to the society during the glut season and sell to the private trader when eggs are scarce. The society's experience in 1923 may also be quoted. In that year there was a more than usual disparity between the prices ruling on the local Llangefni market, which were consistently high, and the selling prices current at the consuming centres in which the society finds its customary outlets. This had a marked effect on the supplies received. This inclination to take advantage of the immediate small profit, from whatever source, and to ignore the fact that, over a period of time, the society can show better returns, is an example of the difficulty common to co-operative societies which have failed to bind their members to send their whole production to the society to which they belong.

Producers of standing and experience in Anglesey agree that it would be a calamity if the society ceased its good work and the old conditions returned.

(iv) Business Aspects of Egg and Poultry Societies.

Difficulties of the Trade.—Eggs are a delicate and perishable food product, subject to rapid deterioration, susceptible to unfavourable surroundings, and liable to injury or loss by breakage. The problem of prompt collection, handling and despatch is, therefore, one that confronts egg and poultry societies from the beginning. Moreover, they have mainly come into existence, in the past, in outlying districts where local production was in excess of local demand, or where it was believed that increased production could be made profitable by the provision of better outlets. They have, in consequence, had to meet the ordinary difficulties of the egg and poultry trade, and, in addition, special difficulties inherent in their position.

The spring and summer glut, alternating with a winter shortage, is, perhaps, the most serious difficulty. When supplies are plentiful prices tend to be forced down to unremunerative levels. Eggs may even, at such times, be difficult to dispose of at all. Buyers are then apt to give a preference to those suppliers who can also market eggs during the winter months. Another difficulty is the large importation of graded and

standardised eggs from abroad which causes fluctuations in price that cannot always be foreseen. Both these difficulties are especially felt by egg and poultry societies. Situated, as many of them are, at some distance from their principal markets, they are not usually in a position to anticipate price movements with the same accuracy as the wholesale trade. Moreover, during the period of shortage there is always the possibility that there may be no large surplus of eggs in their locality available for export to other areas. The local price may then rise above the price obtainable in London and elsewhere where imported supplies are marketed. There is the danger that, in such circumstances, societies may find their supplies curtailed which may lead to the disappointment of customers in the wholesale and retail trade and possibly to the loss of valuable connections. The fact that their members are usually small producers is a further difficulty which reacts on collecting costs and may sometimes be reflected in the quality of supplies received.

Marketing Services.—It is characteristic that the degree of organisation among egg and poultry societies varies greatly from one society to another. This variation depends upon (1) the nature of the markets served and their distance from the areas of production; (2) the kind of services rendered, whether they are confined to collection, packing and dispatch, or whether they include such additional services as testing and grading, and (3) the actual size or volume of egg production for which markets have to be found, since a society handling large supplies must establish more elaborate commercial connections than a society with purely local outlets.

It is general for the eggs to be collected by the societies and assembled at a *dépôt* or *dépôts* where grading and testing may be performed. The radius of collection varies from 5 miles to 40 or 50 miles. Societies that undertake grading generally classify into "firsts" and "seconds" on the basis of size, but a rough guide is that all eggs over $1\frac{1}{4}$ oz. go into the first grade. Freshness is tested by candling. Most societies undertake packing and despatch to market. There does not appear to be any of the elaborateness in grading as, for example, on the basis of colour, which is characteristic of a number of American and Danish organisations. Certain societies have attempted to carry over supplies by methods of pickling and kindred forms of preservation; the largest society, Framlingham, having storage accommodation equal to just over 10 per cent. of its total egg turnover. This policy is of course based upon the view that it is worth while holding for the seasonal rise in price.

Table VIII (p. 187) gives such information as is available with regard to the proportion of the produce sold wholesale, retail and to private consumers respectively by egg and poultry undertakings. It will be seen that in most cases the eggs are sold either wholesale or retail or both, but in a few instances, a proportion of the total sales is direct to consumers, including hotels, hospitals and other institutions.

Competitive selling is known to take place between societies; some attempts have been made in the direction of federal organisation, but so far little has been achieved. The British Egg Producers, Ltd. (*see* p. 60) was formed with a view to eliminating undercutting between societies in the wholesale markets, but does not appear ever to have had adequate support from societies for the purpose.

Capitalisation and Finance.—The remarks in the previous chapter regarding the methods of capitalisation of dairy societies apply, generally, to co-operative egg and poultry undertakings. It is obvious that the more elementary the organisation, the less capital required; in general, therefore, the money to be provided for egg and poultry undertakings must depend on (1) whether the societies rent or own their collecting depôts and transport, provide boxes, equipment and so on; (2) how far the societies undertake the preservation of eggs during periods of glut; and (3) the credit which societies give to buyers, which is sometimes as much as one month, as compared with the promptitude with which members expect to be paid. If a storage policy were to develop among egg societies as in the case of Framlingham, more capital would have to be raised, but, in a society with a large membership, this need not entail any substantial increase in share capital per member.

It will be seen from Table V (p. 185) that the share capital per member is in most cases small, running from 8s. per member or even less, up to £16 per member in one exceptional case, with the normal at about £2 to £3 per member as compared with about £40 per member in the case of milk societies. This brings out the small capital outlay necessary for egg and poultry undertakings.

Loan finance is not a serious matter with these societies, although eight of them appear to have loans which they might be called upon to pay on notice given; the sums, however, are not so notable a total when compared with share capital as in the case of milk societies. Reserve funds, except in the case of one or two societies, are inconspicuous and no less than ten societies were recording losses on their 1923 working. Overdrafts are used to a limited extent by a large number of these societies, the security being usually provided by members of the committee of management.

Relations with Members: Supplies and Payments.—The proportion of poultry keepers, who are members of the societies in the localities in which they operate, varies from as much as 50 to 75 per cent. in the case of one or two strong societies, to very small percentages in other cases. Since so many societies trade with non-members, the proportion of poultry keepers who participate in the activities of societies may be larger than is shown by the actual membership.

The general attitude of members towards their societies and of societies towards their members is, in most cases, typical of that of the majority of co-operative marketing organisations in this country. There appear to be no contracts even of a nominal kind, members delivering to the societies at will; further, it is a widespread custom to buy eggs from members and non-members on the same terms, a practice which can hardly enhance the value of membership as such. Various forms of disloyalty have been reported; for instance, members, in some cases, are stated to send their best eggs to an auction and only their small eggs to their society; in other cases, when eggs are dear, members dispose of them themselves, and, when they are plentiful, dump them on the society. On all the chief issues, evidence shows that there is far too slight an appreciation on the part of members of the necessity for attention to sound co-operative practice.

The turnover per member which is shown in Table V (p. 187) varies from £6 per member up to £47, but these figures include the value of eggs received from non-members in many cases. They bear out what is so often said with regard to members disposing of their supplies through other channels when it suits them. There is no record of the number of hens kept by members of different societies, otherwise this would afford some indication of the extent to which members' support was forthcoming.

The absence of a guaranteed supply and the tendency of members to restrict supplies at those times when their society would derive most benefit from them and, conversely, to send in large quantities for disposal when the market is unfavourable, must exaggerate the inevitable ups and downs in deliveries at certain seasons and injure the society's market, which suggests that contracts with members should always be adopted in order to allow societies a reasonable chance to hold their ground and to make headway. Contracts would also indirectly, but effectively, influence the quality and quantity of production.

The actual payment to members is frequently made by the societies' collectors on receipt of the eggs; in other cases, weekly or monthly settlements are customary. Collection takes place, in some cases, three or four times a week. Producers, however, who supply eggs of superior quality generally receive higher prices than those providing miscellaneous assortments of small and dirty eggs which, if accepted at all, are paid for at lower rates. So far as is known, there are few, if any, cases of producers sending in graded eggs for disposal, grading, when undertaken, being the accepted function of the societies themselves. Where grading is performed by the society, any resulting gain accrues, of course, to the society and is represented in distributed profits.

The fact that deductions are usually made from members' prices for notably poor quality eggs, that is for small and dirty eggs, or for eggs held up too long by the producer in order to benefit from a rising market, must exert and, in many cases,

is known to have exerted a considerable influence in the direction of raising the local standard of production, but, taking the societies as a whole, they are very far from exercising the same degree of influence in improving the technique of production as corresponding organisations in Denmark and in the United States of America.

The policy of practically all the egg and poultry societies is to pay members local market rates or nearby figures. In this, they take a merchant's risk; normally this should be small, but it is an unfavourable comment on this policy that so many societies are recording definite losses. It would be much safer and more in accordance with co-operative practice to pay, say, 10 per cent. under market price and then, after profits had been ascertained, to adjust the difference by means of a bonus at the termination of an agreed accounting period. The whole tendency of the present system is to take as much out of the society as possible, which promotes administrative and financial instability. In this connection it may be observed that, between 1901 and 1923, 111 societies were registered, of which 83 were removed during the period, leaving 28 societies to be accounted for. Of these, 8 can no longer be regarded as primarily egg and poultry societies or have abandoned the egg and poultry trade altogether.

Management.—The problem which presents itself to all co-operative egg and poultry societies at the commencement of their operations is, on the one hand, to collect and convey the egg, which is so small in unit value, rapidly to the consumer, and, on the other hand, so to enlarge the scale of the organisations that they will be able to carry the "overhead" charges necessary to engage managers with time and ability to face the problems of marketing on a wide scale. A glance at the salaries and wages columns of the returns of most societies shows that the total salaries paid by the smaller units could not possibly suffice to that end.

This question is referred to as follows by Smith Gordon and Staples, writing of the Irish Egg and Poultry Societies: "Though in the beginning it was proposed to establish small societies on a parish basis, success has more often come with a large unit covering a considerable area and embracing a large membership. This type of society provides a turnover which makes possible the employment of an expert manager" (p. 157, *Rural Reconstruction in Ireland*).

It is obvious that the work of management must be part-time in small societies and will vary according to the services the society performs. In the larger societies it will include keeping in touch with the best available markets, the tendency being to search out retail markets and to attempt to hold them as regular customers; Framlingham is a case of this kind. Beyond this, there is the growing tendency to sell direct to the consumer. A manager must also watch wholesale markets, and this, together

with other incidental duties, makes the task one for a specialist, and, if on a large enough scale, one that presents scope to a man of ability in that particular line.

For this reason, there is much to be said for organising the marketing of poultry and eggs on a commodity basis. Although this line of business is undertaken by a fair number of general trading societies, and supervised, no doubt, in many cases by business-like managers, yet it should be borne in mind that eggs are usually bought and sold by these societies on the same lines as by middlemen generally, the profits from this department of their trade being merged with the profits of the whole undertaking and not separately returned to the actual suppliers. Moreover, unless its total trade in egg and poultry produce assumes substantial proportions, a general trading society could no more afford to employ a specialist manager for this department than an egg and poultry society, as such, working on a small turnover.

Turnover in Relation to Efficient Working.—The question what is the "economic" size for an egg and poultry society is of special difficulty, as this will be governed by such considerations as the purposes which the society is intended to serve and the intensiveness of production in the area concerned. If Framlingham be left aside as an exceptional case, then no society has a turnover in eggs and poultry of over £19,000, and a large number have turnovers under £3,000. It will be seen, therefore, that the total egg and poultry turnover of many societies is small. These small units can only serve a limited purpose; economical and efficient working on such small turnover must be nearly impossible. In point of fact, comparatively few of the societies undertake both testing and grading; failure to do so is typical of small-scale work, since these services cannot usually be profitably undertaken on a limited turnover.

In other words, the small egg and poultry society is by itself an inadequate unit for dealing with anything but its own local market where it may, nevertheless, perform useful service. Such small societies can only undertake wider responsibilities satisfactorily if some form of federation is devised to deal with problems such as competition between societies in the central markets, the preservation of surplus supplies, the dissemination of market intelligence, and so on. On the other hand, the example of Framlingham would suggest the formation of societies covering a wide area and having suitably located depôts each functioning as a self-contained unit so far as collection, testing, trading and despatching are concerned, but all directed and controlled from one selling and administrative centre. The field has, however, never yet been carefully explored, and if egg and poultry organisation on a co-operative basis is to be taken seriously as a method of marketing, thought will require to be given to large-scale organisation.

The broad issues raised in this survey are, therefore, the need for (1) a more extensive testing and grading of eggs to allow

for quality in purchase from members and to secure reputation with the consumer; (2) contracts to steady supply, to control quality, to react upon good egg farming and to stabilise the working of societies; (3) a change in price policy to members in order to secure the societies against loss and to enable reserves to be built up; (4) large scale organisation.

It is clear that, apart from one or two conspicuous cases, co-operative egg marketing has been a somewhat spasmodic experiment in England and Wales, and is not a significant factor in marketing organisation. As a movement, it has still to find its feet.

CHAPTER VI.—FRUIT AND VEGETABLE SOCIETIES.

(i) Development.

(a) 1901 to 1914.—The period 1901–1914 saw, if not the first attempts at the co-operative marketing of fruit and vegetables, at any rate, the beginnings of serious organisation. Among the earliest recorded examples is that afforded by the East Anglian Farmers' Co-operative Society, which was formed in 1897 and, though largely concerned with the supply of farmers' requisites, appears soon to have added to its activities the marketing of fruit and vegetables in London—notably at Stratford market. In 1902, the Bewdley Agricultural Supply Association, Worcestershire, during a period of over-supply in the green-pea and cherry markets, bought and marketed exclusively on its own account, relieving local supplies of large quantities which the growers would otherwise have been compelled to dispose of unremuneratively. Indeed, this society appears to have developed an extensive trade in all varieties of fruit and vegetables, and, further, to have made a practice of properly grading and packing its produce before consignment to the wholesale markets. The Evesham Growers' Association, formed in 1903, aimed at eliminating local middlemen. The produce of members was sent to a central depôt at Evesham, where its disposal was arranged by a manager whose business it was to obtain orders in the large consuming centres. The society also organised sale to retail dealers and to consumers direct. This society was followed by two fruit-grading societies, registered in 1905 and 1906 respectively, which were the first to be constituted specifically for that purpose—the Hereford Co-operative Fruit Grading Society and the Avalon Fruit Grading Society in Somerset. The Hereford society was equipped by the Great Western Railway with a first-rate depôt and a private railway siding. Apples sent in by members were graded, sized and packed in standard boxes in accordance with the best methods then known. They were marketed under the society's special label through the ordinary channels, and the proceeds, less expenses, returned to members according to the quantity, size and grade of apples sent in. The Society failed, however, to last and closed down in 1910. It is difficult to ascertain the precise cause of failure, but the society seems to have been handicapped by a lack of sufficient first-grade fruit to justify the business, by the tendency of members to market their best apples themselves and to send only second-grade produce to the society, and by the fact that many members fell an easy prey to the temptations of local buyers who offered prices above market rates in order to deprive the society of its trade.

In 1909, a development of some importance may be noted in the formation of a co-operative auction market at Pershore,

Worcestershire (*see* page 87). The freehold of a site was purchased in the centre of the town, on which a covered market was erected. At first two auction sales were held weekly, but subsequently this number was increased to four. Over 40,858 packages of produce were disposed of before the end of the year at prices which were said to be generally better than those obtained by growers in either local or distant markets. About the same time, the East Anglian Farmers' Co-operative Society opened a branch at Covent Garden, and undertook to sell, on commission, produce sent to it by smaller units such as small holdings societies, or by individual members of such societies. The Littleton and Badsey Growers (*see* p. 93), in Worcestershire, was one of the societies to take advantage of these arrangements, itself conducting a large commission business in the sale of market garden produce, mainly from small holders. In 1910, the Federated Growers was formed to enable local growers to employ their own salesmen to sell their produce in Smithfield Market, Birmingham. In the same year, a society of small holders in Kent, the Halstead Small Holders, organised its own road transport to Covent Garden and succeeded in marketing its produce much earlier than would otherwise have been practicable, securing, it is said, keener buyers and better prices. In May of the same year, the Worthing and District Market Growers' Association was formed—primarily, it appears, for the purpose of reducing rail and other charges by bulking consignments and for the recovery of claims, debts, &c., on behalf of members. The society also assisted its members to dispose of their produce to reliable commission agents. A somewhat similar organisation, namely, the Swanwick and District Fruit Growers' Association, in the strawberry district of Hampshire, was registered as a society in 1910. It undertook the distribution of information regarding markets and salesmen, the collection of debts and the posting of the railway companies in the general needs of the fruit traffic. This society was also instrumental in securing the use of baskets of a uniform size, containing a standard weight of fruit. In 1913 it established the Swanwick and District Basket Factory, to meet the difficulty of securing, at a reasonable price, an adequate supply of the chip baskets in which its members were accustomed to market their strawberries. This venture appears to have been the first manufacturing enterprise of its kind undertaken by an agricultural co-operative society in this country. It may be said that only ten societies, definitely dealing in fruit and vegetables, were in existence at 31st December, 1913, but no satisfactory classification can really be made as, apart from general trading societies, a large number of small holdings and allotment societies, from time to time and in varying degrees, appear to have taken up the marketing of their surplus produce.

(b) 1914 to 1924.—It will have been observed that little progress had been made in the co-operative marketing of fruit and vegetables up to the year 1914. Not only is the marketing

of fruit and vegetables one of the most difficult departments of agricultural trade to which co-operative methods can be applied, but the particular methods adopted in each case have also to be determined by the nature and conditions of the industry in the district concerned and by the practices which have grown up around it. It was true also that growers generally, but particularly the smaller growers, had only a limited knowledge of the customs and requirements of the various markets, while there was a growing opinion that little progress could be hoped for until the problem of the standardisation of packages, weights and measures, and methods of sale generally, were taken seriously in hand. As a step towards uniformity, it was considered that the societies then in existence should seek an exclusive right either to carry out, on behalf of their members, such preparatory processes as trimming, grading and packing, and also the actual dispatch of produce to market, or, alternatively, to supervise and regulate these operations if performed by members themselves. Experience so far gained had led also to the conclusion that the regularity of output necessary to maintain satisfactory outlets could only be secured by a system of contract under which members would be obliged to dispose of the whole of their produce, or at any rate the whole of their first-grade produce, through their society.

The need for better organisation among fruit and vegetable growers was well exemplified by the lack of orderliness and system in the supply of produce to the various military training camps. The situation was first taken in hand in October, 1915, in connection with the 68th Infantry Division, with headquarters at Bedford, and a scheme put into operation for the bulk purchase of the requirements of the Division as a whole. The Army Council endorsed the arrangements and approved of its extension to other areas. This was followed by the formation of a special society—registered as the Agricultural Produce Supplies, Ltd.—to operate on a non-profit basis as a central purchasing body for the various military camps. A commission was to be charged to cover management expenses, and any surplus returned to the War Office. This society, in the following year, was taken over by the Army Canteen Board.

In 1917, the Food Production Department embarked on a scheme of forming County Co-operative Marketing Societies to act as central bodies in each county for organising the marketing of fruit and market garden produce, especially the surplus produce of small growers. The formation of these societies was not a reflection of any marked desire on the part of growers to co-operate, but was the result of the general food shortage and of the need for eliminating waste, the object being to ensure that all surplus produce, however small in quantity, should be duly collected and marketed to add its quota to national food supplies. The societies were started under the auspices of the Horticultural Sub-Committees of the various County Agricultural Executive Committees, and were co-ordinated through the

Food Production Department. Growers themselves were encouraged to find as much capital as possible, but, as it seemed likely that the purpose of these societies could not be achieved on a strictly commercial basis, the Food Production Department agreed to make good any loss on the first year's working up to the sum of £250. In a few cases, the work of county marketing societies was undertaken by societies already in existence. The new societies numbered twenty-three in all. The results varied considerably. Some societies achieved success, with others the results were disappointing. In any event, the circumstances under which they were formed were bound to militate against their continuance as permanent organisations. The abnormal failure of the fruit crop in 1918 did not help matters; this, the difficulties of transport and the announcement that the government guarantee would be limited to the first year's working only, made the outlook for many extremely dubious. Some were being conducted on quasi-philanthropic rather than business lines; others were favoured with voluntary services which could not be expected to continue and for which paid services would have to be substituted; others again found the county areas with which they were struggling too large for rapid and economical working. Most of them, having enjoyed both a certain insurance against loss and the advantage of regulated prices and having been in a position in which the means adopted mattered less than the ends pursued, found it difficult to adapt themselves to the changed conditions of peace. By 1919, a number were moribund and some were extinct altogether.

Apart from the county marketing scheme, the growth in the number of fruit and vegetable societies during the war years was greatest in 1917 and 1918, when sixteen altogether were formed. In the latter year, twenty-five were operating with a total turnover of £333,297, and with a membership of 8,063. Some of the societies did useful supplementary work during the war period in the conservation of surplus fruit and vegetables by means of canning, jam-making, bottling, pulping and drying, and all were more or less active and progressive. Indications were not wanting, however, in 1919-1920, that the position of these societies, taken as a whole, was unsatisfactory. The larger societies, such as those at Pershore and Cheltenham, had, however, increased their trade and strengthened their position. Those at Swanwick and in the Tamar Valley were assisting their members by manufacturing their own empties, the capital requirements in regard to which are a heavy burden.

The efforts which societies then made to improve their position as sellers are of interest. The Northamptonshire County Marketing Society, for example, laid down a preserving plant to deal with the glut of soft fruit, and, in addition, opened stalls for the sale of fruit and vegetables at the weekly markets held at Northampton and Kettering. The Oxfordshire Society opened a retail shop in Oxford to facilitate the disposal of its produce. The Sevenoaks Farmers, now the Kent and Sussex Farmers,

established premises in Covent Garden for the disposal of its members' fruit and vegetables and extended the enterprise to Spitalfields. The Gloucestershire Fruit and Vegetable Co-operative Marketing Society took over Cheltenham Market. This society arranged a prize sale at the end of the year to demonstrate packing, grading and other marketing processes.

At the end of 1923 there were only 18 societies handling fruit and vegetables to any appreciable extent. These are shown in Table IX, page 188. This Table includes five societies dealing mainly in farmers' requisites, but takes no account of small holdings and allotment societies registered as such, or of a considerable number of general trading societies which handle potatoes in the course of their business. This latter trade is referred to briefly on page 152. In addition, there were a few societies which undertook collective bargaining with transport agencies, jam manufacturers, &c., and acted in a general advisory capacity, but did not themselves engage in trade. Mention may also be made of the British Glasshouse Produce Marketing Association, Ltd., registered in 1922 as a company limited by guarantee under the Companies Acts. This is, in effect, a co-operative undertaking promoting the interests of the British glasshouse industry by encouraging standardisation and better grading and packing and by advertising the merits of home-grown produce raised under glass. It is significant that, of the 18 societies referred to, only one dated as far back as 1897, namely, the East Anglian Farmers, two were formed between 1909-11, one in 1914, and the remaining 14 subsequent to 1917. Moreover, less than half of the societies accounted for more than 90 per cent. of the turnover of the whole group. The total volume of trading in fruit and vegetables in 1923, which is the latest year in respect of which complete information is available, amounted to approximately £300,000, of which one society was responsible for £90,000 and the five next largest, £170,000. This does not imply, however, that the smaller societies were not performing an important and useful service within the limits of their capitalisation and trading outlook. The East Grinstead District Producers, formed in 1920, is an interesting example of one of these smaller undertakings. This society acquired a small market and let stalls to its members for the sale of their own produce; the society itself occupied a stall for the disposal, at a low rate of commission, of the produce of members who were unable to attend the market. Subsequently, all members took advantage of the society's stall, and abandoned the practice of individual stall-holding. The sales turnover of the society in 1923 was about £4,000.

(ii) Classification and Present Extent.

The marketing of fruit and vegetables has become almost classic ground in the field of co-operative effort because of the somewhat notable achievements of certain widely-known and large-scale enterprises in the United States of America, of which

the California Fruit Growers' Exchange may be cited as a leading example. There is, however, little parallel between such organisations and the actual forms of co-operative fruit and vegetable societies in England and Wales; they represent a type of development practically untried in this country.*

The Linlithgow Committee point out in their Report (Cmd. 1892) on fruit and vegetables that "apart from supplies grown in the vicinity of consuming centres, the fruit and vegetable industry in Great Britain is, to a large extent, concentrated in certain areas where conditions of soil, climate and labour are favourable to the consistent and cheap production of particular varieties" (p. 14). "The concentration of production has many advantages," the Report proceeds, "from the standpoint of distribution, notably as regards transport facilities. It has been estimated that considerably over one-half of the total production of fruit and vegetables in this country is raised in specialised producing areas" which are frequently at a considerable distance from large consuming centres. This concentration of production at a distance from consuming centres is the condition which is supposed to be peculiarly favourable to co-operative effort, namely, organisation for export. Not only, however, are there many such areas in England and Wales in which no co-operative marketing organisation exists for fruit and vegetable produce, but nowhere does a co-operative organisation act as the marketing channel for the greater portion of the produce sold out of its district.

The societies may be classified into three groups as follows:—

(a) Societies controlling co-operative auction marts in producing districts where produce can be offered for sale daily during the season on a scale sufficient to attract buyers from a distance. There are three societies in this group, namely, the Pershore Co-operative Fruit Market, the Gloucester Fruit and Vegetable Co-operative Marketing Society, and the Worcester Farmers. These account for over £200,000 of the total turnover.

(b) Societies controlling co-operative auction marts in consuming districts where produce can be sold direct to the retailer or consumer. The Growers' Sales (Coventry) and the East Devon Agricultural Co-operative Society, with an auction mart at Exeter, were the only representatives in 1923 of this group. The latter society has since given up this branch of business. A variation exists where a society acts as a commission agent for its members, selling their produce for them, on agency terms, in a central market. There are two societies of this character, namely, the East Anglian Farmers, which operates at Stratford

* An account of the chief organisations in the U.S.A. and their possibilities in relation to British conditions will be given in a later report upon co-operative marketing in the U.S.A.

Market, London, and the Kent and Sussex Farmers with premises in Covent Garden.

(c) Societies which market through the ordinary trade channels. The remaining societies in Table IX belong to this group. One or two, as, for example, the Shropshire Produce Co-operative Society, dispose of their produce through their own retail shops, while a few others, notably, the South-West Lancashire Farmers and the Welford-on-Avon Growers' Association, send produce to the other producers' societies referred to in group (b).

(iii) Examples of Fruit and Vegetable Societies.

A. The Pershore Co-operative Fruit Market.

B. The Littleton and Badsey Growers.

A.—THE PERSHORE CO-OPERATIVE FRUIT MARKET.

This society, formed in 1909 to establish a co-operative auction mart for the sale of fruit and vegetables, shows an almost continuous record of success. Its formation was due to the belief that if produce were disposed of by auction in the producing area itself, better prices would be secured than by the customary private treaty sales direct to local dealers or through the agency of commission salesmen in distant markets. There is no doubt that this anticipation has been realised; the mart is now an established institution and few growers question its utility. This result has been obtained notwithstanding the fact that Pershore is two miles from the nearest railway, and in spite of the keen competition from other auction marts and from buyers favouring other methods of purchase.

Shares and Payment of Bonus.—With one exception, the society's Rules do not present any unusual features. The exception is a rule which makes a member's participation in the annual bonus dependent on the amount of his shareholding. Up to four or five years ago, the holder of a single £1 share was entitled to all the benefits of membership. A rule was then introduced with the object of establishing a closer relationship between the share capital subscribed by a member and the amount of his produce passing through the society. This rule provides that unless a member holds a £1 share for every £10 worth of produce sold by him through the mart in any year, he is not entitled to full participation in any bonus that may be distributed. Thus, if a member held 10 shares he would receive a bonus on £100 worth of produce sold, but not on any further supply, even though he may have actually sold produce to the value of, say, £300 through the mart during the same period. On the other hand, a member holding the maximum number of shares, namely, 200, is entitled to a bonus on the whole of his supplies sent in.

The bonuses paid since the start of the business have been as follows :—

Bonuses Paid by the Pershore Co-operative Fruit Market, 1910-23.

Year.	Percentage on Ranking Sales.	£
1910	Nil	Nil
1911	1½	59
1912	2	139
1913	2½	314
1914	1½	154
1915	1½	315
1916	2½	662
1917	3½	1,931
1918	4½	2,475
1919	3	2,892
1920	2½	2,844
1921	Nil	Nil
1922	¾	353
1923	1½	516
No. of years 14	Average Bonus 2 %	Total £12,654








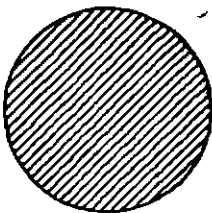
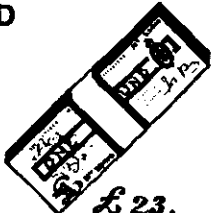
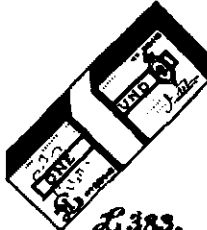
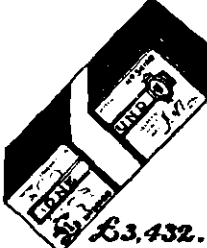

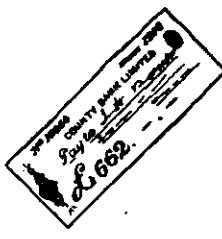

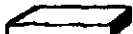



The bonuses paid over a period of years have thus been substantial, but not much more than half of the produce sent to the market in any given year qualifies for bonus, the figures for 1922 and 1923 being as follows :—

Year.	Sales.	Portion of Sales qualifying for bonus.
	£	£
1922	84,576	46,992
1923	65,112	37,590

This is to be explained partly by the fact that a certain quantity of non-members' produce is disposed of, and partly by the fact that, notwithstanding the rule referred to, many members are still unwilling or unable to contribute their proportionate share of the society's capital.

The general progress of the society since its formation is shown in Table X—see also the diagram on the opposite page, which has been so drawn as to eliminate the peak turnovers in the years immediately succeeding the war. It will be observed that membership has increased from 126 in the year of formation (1909) to 602 in the year 1924; share capital has increased from £916 to £10,649, and turnover from £4,721 to £75,980 in the same period.

PERSHORE CO-OPERATIVE FRUIT MARKET LTD.

1909	1912	1916	1924
<p><u>MEMBERS</u></p>  <p>126</p>	 <p>145</p>	 <p>328</p>	 <p>602</p>
<p><u>CAPITAL</u></p>  <p>£916</p>	 <p>£1,096</p>	 <p>£2,277</p>	 <p>£10,649</p>
<p><u>RESERVE FUND</u></p> <p><i>Nil</i></p>	 <p>£23.</p>	 <p>£388.</p>	 <p>£3,432.</p>
<p><u>BONUS PAID</u></p> <p><i>Nil</i></p>	 <p>£139.</p>	 <p>£662.</p>	 <p>£973.</p>
<p><u>TURNOVER</u></p>  <p>£4,721</p>	 <p>£14,817</p>	 <p>£45,954</p>	 <p>£75,980</p>

The Working of the Auction Mart.—The market, which is covered and provided with adequate office accommodation, is of considerable size and is so arranged that vehicles can be driven alongside the raised portions of the floor, on to which the baskets, &c., can be unloaded direct. The carts can also be driven out without turning. Growers may send in any quantity of produce without advice of any kind; it follows that the officials of the society have no knowledge what to expect on any day. The societies' porters unload the produce, sometimes with the assistance of the grower concerned. As the produce is put down, it is numbered as a lot at once, and an entry sheet made out giving the grower's name, number of packages, and description of produce. The same sheet contains a space, in which the buyer's name and the price realised is inserted as the sale proceeds. The pots, half pots, sieves, and other packages customarily in use in the district are placed in even rows which facilitate inspection of the produce by the buyers and its removal when sold. In the centre of every third row a space is left for the auctioneer's stool, which is shifted on as the selling proceeds. Selling is conducted with great rapidity. From the sales sheets referred to above, "passes" are made out in triplicate, the original being kept by the society and the other two handed to the buyer, who, on receipt of his pass for any particular lot or lots, is entitled to remove his purchases from the floor. The buyer commonly requires two passes, as usually he is acting for a principal and has to send one away as an invoice to the customer for whom he buys; the other he retains for his own record.

It will be observed that the system adopted enables the society to keep trace of each individual consignment. Penalties are enforced by the society against "topping," but the responsibility is on the buyer to lodge his complaint before the produce leaves the market. The sale may then be cancelled. A list prepared by the manager showing the principal destinations of the produce is as follows:—

General Produce: Cardiff, Barry, Swansea, Tonypany, Cwm, Troedyrhiw, Ystrad, Rhondda, Neath, Bargoed, Pontypool, Bristol, Torquay, Liverpool, Manchester, St. Helens, Huddersfield, Hartlepool, Bradford, Derby, Nuneaton, Leicester, Mansfield, Chesterfield, Nottingham.

Fruit: Dublin, Belfast, Airdrie, Dumfries, Edinburgh, Glasgow, Aberdeen, Newcastle, Crewe, Wigan, Accrington, Burnley, Dewsbury, Sheffield, Halifax, Birmingham, London, Guernsey, Jersey, and also destinations listed for general produce, as above.

In the height of the season, as many as 300 accounts may be sent out daily, the actual regular daily buyers numbering about 30, being principally agents who live in the Pershore district and buy on commission. There are also a considerable number of buyers who purchase on certain days and take the fruit and produce on motor lorries direct to its place of sale. Besides

disposal by auction, the society also sells by contract; in such cases the grower loads direct on rail. In good seasons, this is a large business; a reduced rate of commission ($3\frac{1}{2}$ per cent.) is charged by the society for contracts exceeding £25.

The problem of equalising the work of the staff throughout the year is, to some extent, solved by employing a number as porters during the summer who, during the winter, are engaged in making the baskets required for the society's trade. The accountancy of the society has been given great attention and so organised that a balance sheet can be struck as at any Wednesday if desired; the usual practice, however, is to keep to essential current work. Subsidiary detail is said to keep the clerical staff fully employed throughout the winter. It is also a feature of the district that a large amount of market-garden produce is grown as well as fruit which tends to spread the season. In the winter, however, except on Wednesdays, markets are usually small, in striking contrast to the great activity which prevails throughout the summer and autumn and especially during the plum season. In a good plum year, selling may be continuous from ten o'clock in the morning to five o'clock or even later. Strawberry sales are held at 6.0 a.m. as and when required. Eggs, dairy produce, rabbits, game, fruit trees and second-hand growers' requisites are also handled at the auction mart.

The trade-mark adopted by the society is a device of four P's, signifying "Pershire Produce Properly Packed." It is the aim of the committee and management to encourage good packing, which improves the reputation of the market among buyers. The efforts in this direction have met with considerable success. Growers are also encouraged to affix their own personal label on their packages, in order to obtain the price-advantage which may reasonably be anticipated when a personal reputation for sound quality has been established. These labels do not amount to more than a private mark, such as the sender's initials, as buyers object to any label which might indicate the actual address of the grower. This system of private labels is on the increase. Though a comparatively recent development, 30 to 40 growers now label their produce in this way; there is usually keen competition for produce so labelled.

The principal packages in use for plums, apples, pears and vegetables are the pot, the half-pot and the sieve. An innovation which is being given an extended trial is a shock-absorbing system of cardboard liners adaptable to any of these baskets, though primarily designed for apples and pears packed in half-bushel and bushel sieves. This device, which has been patented, is especially intended to prevent bruising.

Short-term Credit Scheme.—The society has recently inaugurated a scheme for providing short-term credit facilities to growers. The basis of the scheme is an arrangement by which the growers may obtain advances up to one-third of the estimated value of their growing crops. The member obtaining such an

advance signs a bill of exchange, in effect a post-dated cheque, for the amount of the advance, and an agreement that he will sell the crop or crops through the Pershore Co-operative Fruit Market. If difficulties arise in estimating the value of any particular crop, the grower has the option of agreeing to sell all his crops through the market for a given period of time—it may be two, three or four months; the records which the society has as to the average value of the members' crops will in that case serve as a guide to the amount which can be reasonably advanced. The rate of interest to be paid by the grower is fixed at $\frac{1}{2}$ per cent. above bank rate, with a minimum of $4\frac{1}{2}$ per cent., plus a market charge of 1 per cent. (which is made to form a reserve against any bad debts that may arise), and 1s. per cent. to cover the cost of bill stamps. It is emphasised that the transaction is confidential. The usual period of a bill is expected to be from two to four months. The money for the advance is obtained from a bank on the security of the society.

The inception of this scheme shows the progressive outlook of the society. It also furnishes evidence of its strong financial position and the excellence of its credit, without which the whole scheme, involving, as it does, a special arrangement with the society's bankers, could not be undertaken.

General.—The exceptional character of the district is an essential feature of the success of the Pershore Society. The market is in the midst of a supplying area, which has been intensively developed for a long time. Fruit and market garden produce comes forward for sale during a considerable part of each year in amount sufficient to attract a large number of buyers during the busy season, and a certain number whenever a market is held.

Reference may, however, be made to two difficulties, one internal and the other external, which militate against the best results. It has already been mentioned that the society has no previous information of the character and quantity of produce which is to be expected in the market on any given day. The manager is of the opinion that if growers would make a practice of informing him, by at latest 3 o'clock on the day before the sale, what produce they are likely to send forward, it would be possible, in many cases, to ensure heavier buying by acquainting customers in advance of the supplies likely to be on offer. Efforts to secure this information have so far failed. The second difficulty is that, at times, unorganised marketing in neighbouring districts reacts prejudicially on the prices obtained in the Pershore auction. Buyers in the market are, of course, in touch by telegram and telephone with all the principal markets of the country, so that weakness in any particular market is quickly reflected on the auction floor. This question is bound up with that of federal organisation and will be referred to later.

It remains to be observed that members are under no obligation to send their produce to the mart. It is a testimony therefore

to the manner in which the auction mart is run that although growers may and frequently do test other markets by consigning produce to distant salesmen, or by direct sale to dealers, the quantity of produce passing through the auction mart has continued to increase, due allowance being made for variations in cropping. It is estimated that about half of the output of the area goes through the market.

Use of the mart saves the grower from the risks attendant on consignment to distant markets for sale on commission. Moreover, though the commissions for selling (7 per cent. auction sales, 3½ per cent. special contracts) are much the same at Pershore as elsewhere, the incidental disbursements of the growers must necessarily be less than when produce is consigned to distant markets for disposal. Charges for the use of empties are also low. Indeed, auction marts in producing areas operated efficiently under the auspices of the growers must, in theory, involve the lowest possible marketing costs consistent with free competition among buyers. While co-operation in this society may not be carried out so fully as in some of the fruit marketing organisations in the United States, since the mart is open to members and non-members alike and there is no obligation on members to sell their produce through it, the society has undoubtedly proved the utility of its methods and is of value to producers generally in the surrounding area. The daily publication of prices made at the mart gives important information to growers generally.

B. LITTLETON AND BADSEY GROWERS.

The Littleton and Badsey Growers is a small fruit and vegetable society, which was started in 1908. It is one of the few fruit and vegetable societies in England which operates as a collecting and bulking depôt. For various reasons, it had a somewhat chequered career in its early years. The members consign their produce to the society at will, and the produce, though bulked, is not pooled. There is no system of guaranteed supply, the society finding it necessary to trade with non-members as well as members in order to maintain its turnover.

Area and Membership.—The district in which it operates lies a few miles to the east of Evesham and extends for some three miles in each direction from the society's office, which is beside Littleton and Badsey Station on the Great Western Railway. The Society has, however, a few suppliers who live at a greater distance, some as far as fourteen or fifteen miles away. The main area in which the society works is occupied almost entirely by smallholders, among them a number of tenant-owners who are purchasing their holdings with the assistance of the County Council. Holdings range from two to thirty acres, the average being from five to seven acres. It is estimated that there are about 600 of these smallholders within the society's area, of whom 230 are now members of the society.

In order to spread the labour of cultivation and harvesting over the year and to diminish seasonal risks, smallholders usually grow a considerable variety of crops, and, it may be, a number of varieties of the same crop. It follows that the organised marketing of produce raised on a large number of smallholdings, such as exist in this district, must always be a special and difficult problem. It may not be always possible to secure sufficient bulk of any one kind to command the best price, while the grading of a number of small lots is seldom commercially practicable.

Committee, Staff and Premises.—The society has a president and a committee of eleven members. The staff of nine consists of the manager, a book-keeper, cashier, two messengers and four drivers or motormen. The society owns a large warehouse close to Littleton and Badsey Station, in addition to its offices and a smaller warehouse which it leases from the railway company. Its transport consists of two one-ton motor-lorries and two horse-lorries.

Methods of Marketing.—The methods of marketing adopted by the society can be briefly described. From a third to a half of the produce which it handles is sold through commission agents on the principal markets. It is a feature of the system that the exact destination of produce is settled by consultation between the sender and the society's manager, the sender having the final word. Each package bears the grower's permanent number; the grower has to guarantee that each package is fairly packed and that its contents are of the full stated weight. A daily advice goes to each salesman, who makes out a separate account-sale for each grower which is sent to the society. There is no averaging of any two growers' prices. The society sends each grower a "pay note" showing the details of his account for the preceding week. In these pay notes the grower is shown the actual cost of railway carriage on his supplies, this being a proportion of the total rail costs paid by the society for its bulk consignments. A proper check on railway accounts is ensured by this system. The balance of the produce handled is forwarded on open invoice, at request, to retailers with whom the society has established a connection or, in other cases, on charge. The price paid to the grower for this portion of the society's supplies is arranged with the manager before despatch. Preference is always given to members able and willing to supply the required produce at the current rate, but produce is also bought from non-members to complete orders.

The society has a system of collection by which its lorries make regular rounds to the four villages, Badsey, Bretforton, Littleton and Offenham, whence its principal supplies are drawn. This service, which delivers empties without charge for transport and collects packages at a small charge, can be economically conducted because the society also supplies requisites to its members, thus practically eliminating journeys without loads.

The district being so limited, it is possible for the management to maintain close touch with the members in this and other respects.

Where the Produce is Sent.—The following list shows the destination of the bulk of the produce handled by the society :—

On Commission :

Edinburgh.
Glasgow.
Manchester.
Liverpool.
Sheffield.
Hull.
Coventry.
Cardiff.
London.

On Open Invoice at Request :

Derby.
Stoke-on-Trent.
Bridlington.
Scarborough.
Barrow-in-Furness.







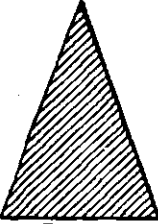
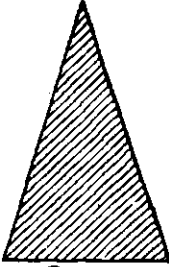




On Charge :

Devonshire.
North and South Wales.
Westmorland.
Cumberland.

Progress of the Society.—The general progress of this society is shown in the diagram on the following page.

The society's first trading year was 1909. In that year, the membership stood at 95, capital at £114, while the sales amounted to £5,308. Little progress was made in the years immediately preceding the war. Indeed, by 1914, only ten additional members had joined, capital had increased to £149, but turnover had fallen to £3,112. Since that date, there has been a steady rise in membership and capital from year to year, although the average amount of capital per member has not varied appreciably from its present low figure of £3. Turnover and profit-and-loss balances have, however, shown considerable variations. Apart from the variations in seasons which are especially felt in fruit-growing districts, and the abnormal conditions prevailing immediately after the war, these variations in turnover and results are accounted for by the fact that during the war the society also devoted itself to the organisation of herb-drying and canning to replace imported supplies which were no longer obtainable. This branch of the business amounted, in 1917, to a turnover of £6,104, which was larger than the whole annual turnover of the society before the war. In this year, the society made a profit of £1,440, its total turnover, including the sale of requisites, being £16,700. Subsequent years have been difficult. In 1920, a loss of £500 on old, unsaleable herb stocks had to be faced, and, in 1921, the concurrence of the sudden trade depression with an exceptional drought involved the society in a loss of £966. Particulars as to the membership, share capital and turnover of the society for each year since its formation are shown in Table XI, p. 189. Owing to the slump in values since 1921 the turnover for the last three years represents a relatively larger tonnage than in previous years. The turnover in 1924 shows a considerable development.

LITTLETON & BADSEY GROWERS LTD.

1909	1914	1919	1924
<u>MEMBERS</u>			
 95	 105	 182	 230
<u>SHARE CAPITAL</u>			
 £114	 £148	 £556	 £696
<u>TURNOVER</u>			
 £5,308	 £3,112	 £13,270	 £21,288

Advantages of the Society.—The fact that notwithstanding many vicissitudes the society has maintained its existence and steadily augmented its membership and business for some sixteen years is, in itself, an indication that it performs a useful function in the district in which it operates. It has throughout been severely handicapped by lack of capital. Since members consign at will and a portion of the society's trade is indistinguishable in method from that of any middleman, many of the advantages of co-operative trading are not realised. The principal benefit of the society is undoubtedly that it creates an alternative to the usual trade channels, keeping the growers in touch with prices in distant markets, and to some extent preventing speculative buying at unduly low rates. Members are also guaranteed against bad debts while rail claims are handled for them free of charge. The cost of the society's service is frequently saved by the economy in transport charges which it is able to effect through bulking. This economy necessarily varies, but may commonly work out at 8*d.* or 9*d.* per cwt. The salesmen to whom the society sends produce for disposal are saved a considerable amount of accounting, correspondence, postage, and other incidental expenses, and modify their charges accordingly.

In conclusion it may be mentioned that the society has for many years arranged lectures and demonstrations during the winter months in order to bring to the notice of its members the latest information with regard to improved methods of production.

(iii) Business Aspects of Fruit and Vegetable Societies.

Marketing Services.—The fruit and vegetable trade is one of admitted complexity. The 'wide range of produce and varieties, the seasonal variations of crop and yield, the perishable nature of much of the produce and the problems of grading, standardisation and packing, are some of the factors which have to be taken into consideration. The importance of reliable and satisfactory outlets is another. The producers' societies engaged in this trade mostly operate as variations of middleman organisations. Some of them can justly claim that they ensure a more or less effective control by the growers of one or more links in the distributive chain; but, taken as a whole, they do little to bring the producer nearer to the consumer. One obvious difficulty in this connection is that home-grown produce does not constitute a sufficient supply for an all-the-year round trade.

No information is available to show the quantities of each variety of produce marketed by fruit and vegetable societies, or to show the main markets served. It is therefore impossible to say what exact proportion of sales is to wholesalers, retailers, or direct to consumers, or how far societies compete in the same markets.

Turning to the group of three societies which control auction marts in producing districts (see page 86), it may be said that the system is one which provides the advantages of a free and

open market for members and others at a minimum service cost. Growers are enabled to sell at a market regulated by themselves in their own district, and thus obtain the competitive price level without incurring the responsibility and cost of carrying highly perishable products of rapidly changing value through further steps on their way to the consumer. Such societies depend a good deal upon attracting large buyers, which necessitates a steady and considerable supply of produce during the season such as is only available in specialised producing areas. While not necessarily simplifying the connection between producer and consumer, they afford their members facilities for sale at a time when the produce is freshest; they provide a continuous market which can be used at will to meet a varying production; they minimise the difficulties connected with the supply of empties and with transport, and relieve their members of the risk of bad debts. Moreover, they afford their members an opportunity, if they so desire, of attending sales and ascertaining the actual prices realised for their consignments. They do not undertake grading to any appreciable extent, but they endeavour to eliminate the practice of "topping" and encourage the careful packing of the produce they handle. The natural development of this work would be the establishment of standards and grades, but societies of this kind are unlikely to do anything serious in this direction unless and until members are under contract to deliver their supplies. At present, any move in the direction of grading would probably reduce the quantity of produce sent in.

The second class of society, the auction mart or commission agency in a consuming centre or a central market, does not call for much comment. Three societies only attempt this class of business now. The Growers' Sales (Coventry), the one existing auction mart in the class, was started mainly to provide a co-operatively controlled outlet in an industrial centre for the fruit-growing districts in Worcestershire and the neighbouring counties. The undertaking, which was formed in a period of general trade depression, had, from the beginning, to meet various internal difficulties, and has hardly been in existence long enough to afford conclusive evidence as to its economic possibilities as a type. It may be remarked, however, that in spite of discouraging financial results in its first three years, it shows a large and consistent increase in membership and turnover. Its auction sales, at which eggs and poultry, meat, butter and cheese, are also disposed of, account for 90 per cent. of its turnover, the remainder being sales on contract. The East Anglian Farmers, the oldest fruit and vegetable society, has never shown signs of any considerable development. Lastly, the largest and, in some respects, the most enterprising of these undertakings, the Kent and Sussex Farmers, which operates in Covent Garden, though originally formed to market the produce of its own members on a commission basis, has been compelled to go considerably further afield and to act as a commission agent for private individuals as well as for other co-operative societies.

The remaining fruit and vegetable societies are those which collect, bulk and sometimes grade the produce of their members and others and market through the ordinary trade channels, i.e., to (a) wholesalers; (b) retailers; (c) jam manufacturers, and, in one or two cases, direct to consumers. Two or three of the societies, notably the South West Lancashire Farmers and the Deeping St. Nicholas Trading Society, trade principally in potatoes, but the majority handle both fruit and vegetables. The smaller societies usually market their produce locally, the larger organisations looking for their outlets to consuming areas where goods are either forwarded to order, or for sale on commission. As already mentioned, the Covent Garden branch of the Kent and Sussex Farmers is occasionally used by a number of these societies as a commission-agent. Grading is sometimes resorted to, but seldom by the smaller societies owing to the great variety and number of small consignments which make up their somewhat limited turnover.

The larger societies own their own empties, but many of the smaller societies depend on buyers for this service. The provision of empties entails heavy expenditure which is frequently beyond the means of a small organisation. The view seems to be widely held, however, that societies which consign to distant markets must own their own empties if they are to make headway.

Capitalisation and Finance.—With regard to capital requirements, these vary according to whether the society owns and controls a market, shops, transport, empties, storage, and other necessary equipment, with the extent to which it deals with surplus produce by preserving or manufacturing, with the value of its estimated trade, with the period for which stocks must be carried, and with the seasonal fluctuation in supplies. This last item is mainly responsible for the use of bank overdrafts to carry "peak" trade, since it is uneconomic to raise capital to be employed only for a few months in a year. It is not difficult to see that the £200 limit of capital shareholding might prove hampering if societies developed wider market responsibilities; but, at present, it does not seriously restrict expansion, as most societies are marketing fresh fruit and vegetables, selling at cash or at 1 to 2 months' credit, and not dealing in produce which requires to be preserved and carried through or beyond the season.

Table IX, page 118, shows the membership, share capital per member and turnover per member of the societies engaged in the fruit and vegetable trade. It will be seen that the share capital per member is low; in some cases it is as low as four shillings, but, in the case of the more prominent societies, it varies from £8 to £18 per member, and is naturally highest in the large societies which deal in farmers' requisites and also trade in fruit and vegetables. There is no society with a share capital exceeding £80 per member and, unless other kinds of trading are being undertaken, £20 per member seems the upper limit.

There is evidence to show that many societies are short of capital, but the reason in the case of societies trading solely in fruit and vegetables would appear to be lack of appreciation on the part of members as to the possibilities and requirements of their societies, or lack of confidence, rather than inability to provide the money. Fourteen societies record loans, and while, in some cases, the amounts are insignificant and unimportant in comparison with the total share capital, in others they represent a sum equal to the share capital and, in one case, three times as much. As already observed in the case of societies dealing with other commodities, loan-accommodation withdrawable at comparatively short notice cannot be looked upon as a suitable method of permanently financing societies. At least 17 societies appear to be using bank-overdrafts, while 11 societies record definite losses in trading during the year; 10 societies have accumulated losses amounting, in some cases, to considerable sums. It may be added that out of 57 fruit and vegetable societies, so classified, added to the register since the year 1901, 40 have since been removed for various causes.

Relations with Members: Supplies and Payments.—The societies are mostly local in the sense that they represent the gathering-ground for produce grown in the surrounding district, which varies in its radius from 5 miles to the extent of a county or more, but few of them claim to include more than a small proportion, say 10 to 30 per cent., of the local producers.

The problems of membership are similar to those already referred to in other co-operative marketing organisations. Members do not contract to deliver their supplies, and there is the usual tendency for them to market a proportion of their high-grade produce elsewhere. Again, when produce is scarce, members are inclined to neglect their society and revert to individual sale; conversely, in periods of glut, they unload all their produce on the society and blame it if results are unsatisfactory. There is a tendency also for members to appraise the value of their societies on the basis of, at most, two or three transactions, which may have coincided with a falling market, instead of continuing their support over a period. The societies accept produce from members and non-members alike, the only differentiations being that members alone receive any bonus that may be distributed, while their supplies are accepted in preference to those of non-members in times of glut.

The figures for turnover per member show an extreme variation from £195 per member in the case of the Coventry Growers, £167 per member at Gloucester, £107 per member at Pershore, £47 per member in the case of the Littleton and Badsey Growers, down to three societies with a turnover per member of £10 or less. As produce from non-members is included in these figures they tend to exaggerate the turnover per member. Part of this

variation is due to natural causes such as the variation in the scale of production of growers, but the figures suggest that considerable diversion of produce is taking place.

In a general way, societies carrying on auction marts in a producing area stand in less need of contracts than any other class of society, since, when once they are established, they are certain to attract considerable supplies from non-members as well as from members. Further, in so far as their method of sale is limited to a local auction, it would perhaps be unreasonable to expect their members to confine their supplies to this one channel. The absence of contracts is, *prima facie*, more serious for societies conducting auctions or selling on commission in a consuming centre, or on a central market. Such societies must, as a rule, be too far removed from the districts from which their supplies are mainly drawn to be able to retain the interest of individual growers. The problem of obtaining adequate supplies usually becomes, therefore, in their case a genuine difficulty. Indeed, it is not easy to see how adequate supplies can be assured for such selling agencies without their widespread extension to other consuming centres and the formation of sufficient local collecting societies in the specialist producing areas to act as feeders for them. In the present stage of development of co-operative marketing undertakings in the fruit and vegetable trade, the question has a theoretical rather than a practical interest. It may be pointed out, however, that, while, on the one hand, there are too few local societies to maintain the trade even of the existing central societies without supplies from other sources, the existing local societies, on the other hand, however desirous they may be of supporting such co-operative outlets, cannot normally afford to concentrate their supplies in this direction alone. They have to follow the best markets, which vary from time to time, and often find it necessary to consign to centres where no co-operative selling organisation at present exists. The third type of society, the local collecting society, has everything to gain by persuading its members to send all their supplies under contract through the society. Indeed, it is difficult to see how such societies can be permanently successful in the absence of guaranteed supplies to enable them to take full advantage of railway rebates and to ensure a sufficient volume of produce to cover their overhead charges.

Under existing conditions, both the central selling societies and the local collecting societies are obliged to supplement their supplies from any convenient and suitable source, either by purchase in the open market, or otherwise, or sometimes by dealing in imported produce.

The methods adopted by societies for payment to members call for little comment. Since there is no pooling, the members receive, in general, current market prices for their consignments, whether the produce is sold by auction, on commission or bought from members to order.

Management.—The fruit and vegetable societies are so diverse in functions and size that it is difficult to generalise with regard to the methods and efficiency of their management. Most of the larger undertakings have good managers, interested in the progress of their respective societies, having a sound knowledge of markets and accepting onerous responsibilities. In fact, the expansion and success of some societies has been due rather to the business qualifications of their managers than to any co-operative effort on the part of members. The committees of management of the enterprises which conduct their sales at a market remote from the producing area, can only direct policy and exercise general supervision. They are compelled to place a large measure of responsibility for detailed working and for the conduct of sales upon the managers, who frequently have to arrive at important decisions on their own initiative. A more intimate knowledge of the administration and affairs of societies is possessed both by the committees of management and by members generally of societies which conduct their business within their membership area, but there is a tendency in such cases for the societies' business to become the direct concern of too many individuals to the discouragement of good managers and to the detriment of the societies themselves.

✓ *General.*—Summarising the position of the fruit and vegetable societies, it may be said (a) that co-operative effort has made little headway in this field; (b) that the whole question of growers' contracts, guaranteed supplies, and the possibilities of large-scale organisations has never been fully explored; (c) that while the importance of grading and standardising, where practicable, is fully realised by the more progressive growers, and is the subject of constant discussion, little or no attempt has yet been made to carry out these processes on a co-operative basis.

The whole position of co-operation in this field seems to suggest that little is to be gained from this form of organisation unless it is pushed much further than has so far been attempted. It would be far better to organise one area or one commodity thoroughly on a large scale in order to test the merits of producers' organisation than to argue from the limited results and methods of such societies as have been described. There is at present no basis upon which to build a co-operative marketing organisation on a national scale which might enable home-grown produce to compete on equal terms with graded and standardised products from abroad.

CHAPTER VII.—CO-OPERATIVE LIVESTOCK TRADING.

A.—CO-OPERATIVE AUCTION MARTS.

(i) Development.

During the early part of the period 1901 to 1914, no separate societies existed for the sole purpose of handling livestock, although a number of societies engaged in general trading appear to have taken up this business to a limited extent. There are references, for example, to the establishment of a weekly pig market by two such societies in South Wales, namely, the Vale of Tivy Agricultural Society and the Newcastle Emlyn Agricultural Society. This was in 1902. The following year, the former society undertook the co-operative slaughter of pigs and the consignment of pork to London. In 1904, and for the first time, a society was formed expressly to work a livestock auction, although there are records of a few farmers' joint stock companies owning and controlling auction marts some years before this date. This society, which was at Winchcombe in Gloucestershire, acquired land, constructed a suitable market and, at the eleven sales held during the first ten months of its operations, disposed of 1,074 beasts, 3,084 sheep and 1,363 pigs on behalf of its members. About the same time, the Eastern Counties Farmers' Co-operative Association took up the sale of pigs. An expert was employed to keep in touch with markets throughout the country, to attend at members' farms, and to advise them whether to consign to distant markets or to market locally. The pigs were forwarded to the selected market in the name of the association or, if sold locally, the expert attended the market to see that they realised their proper value; if they failed to do so, they were bought in. Better prices appear to have been realised than would otherwise have been obtained. Pigs to the value of £17,352 were sold during the first eight months of the arrangement; in four years the trade showed a five-fold increase.

Attention was widely directed, at this time, to the saving in transport costs which could be effected if consignments of produce, particularly of livestock, were bulked before despatch by rail. Interest was stimulated by the findings of a Departmental Committee on Railway Rates appointed by the Board of Agriculture in 1906 which reported that "co-operation affords a practical method of enabling farmers to meet foreign competition and of putting themselves in a position to obtain lower railway rates for the conveyance of agricultural produce. Co-operation has the advantage over other suggestions that have been made of being a remedy which the railway companies have shown themselves ready to welcome and to assist."

Early in 1907, the Winchester Agricultural Trading Society (subsequently re-named the Southern Counties Agricultural

Trading Society) commenced business, mainly the co-operative sale of livestock. Weekly auction sales of all kinds of fat stock were held in Southampton Market as well as sales of sheep and lambs at Overton and Alresford Fairs. The following year, the society extended its activities to spring and autumn sales of store cattle and sheep. Co-operative livestock auctions were also opened in 1906 at Bagworth in Leicestershire and, in 1912, at Marple Chinley, Cheshire, and at Henley-in-Arden in Warwickshire.

The co-operative sale of livestock at auctions owned or controlled by farmers' societies made relatively little progress during the war. The eagerness of buyers, as reflected in the satisfactory prices which producers were able to command, probably accounts for the lack of interest in new methods and departures in this branch of marketing during the early part of the war period. Subsequently the imposition of control by the Ministry of Food, which eventually involved the nationalisation of the meat trade and the stereotyping of the *status quo*, made any extension of co-operative auction marts difficult if not impossible. Those already in existence were restricted by conditions to the handling of store-stock. Moreover, there were more than sufficient livestock markets in existence in the country for the purposes of the Food Controller and a number were, in fact, closed down.

So far as can be ascertained, there are 13 societies which exist mainly if not solely for the purpose of owning or controlling livestock auction marts at the present time, and 5 societies which work a livestock auction mart as a subsidiary department of their general trading, making 18 societies in all. Of these at least two societies, namely the Talybont and District Farmers' Market Association and the Nelson and District Farmers' Association, own, but do not operate, their auction marts, the auctioneers concerned paying the societies a fee for the right of selling at agreed rates of commission. In addition, there are a number of general trading societies which sell livestock, usually on commission on behalf of their members, at non-co-operative auctions or by private treaty in the ordinary way. Particulars of the societies owning or controlling their own auction marts are shown in Table XII, page 190; such particulars as are available regarding the sales of livestock by societies through the ordinary trade channels are shown in Table XIII, page 191. In addition to the co-operative auction marts referred to, there are a number of auction marts controlled by farmers' joint stock companies. Table XII is, therefore, no measure of producers' control, but only of co-operative development. The insignificance of co-operative livestock auctions in relation to general livestock marketing organisation will be gathered from the fact that there are over 400 weekly and fortnightly livestock auction marts in England and Wales at the present time.

(ii) Example of a Co-operative Auction Mart.

THE MELTON MOWBRAY AND DISTRICT FARMERS' ASSOCIATION.

The Melton Mowbray society is not the oldest co-operative livestock auction mart in England and Wales, but it is one of the largest. Its comparatively short history suffices to demonstrate that the management and control of a livestock auction can be satisfactorily and profitably carried on by farmers acting in combination.

The society owes its origin to a suggestion made at a meeting of the Melton Mowbray Branch of the National Farmers' Union in February, 1918, as a result of which the branch instructed its committee to explore the possibilities of a farmers' co-operative auction mart. The committee made enquiries, and, in consultation with the Agricultural Organisation Society, drew up a scheme which was accepted and put into operation. The committee appealed for £1,500 to finance the business. Thirty-four members offered to find the money between them, but the committee decided to spread the liability over the whole 400 members of the branch, so that all might have a financial interest in the undertaking. For this reason, the share-holding qualification for membership was fixed at a low figure. A farmer of 200 acres took, on the average, from £5 to £10 in shares and the smaller farmers from £2 to £5. The next step was to find a professional auctioneer and valuer; the committee were fortunate in securing one who was already well known to most of the members. This auctioneer is still with the society and has retained the confidence of the committee throughout.

Accommodation.—Some difficulty was experienced at the start in acquiring stock-pens and selling-rings at the local auction market which is owned by the town. Eventually two rings were borrowed and from time to time more room has been secured. The society complains, however, that the market facilities are still inadequate and that wholly satisfactory results cannot be obtained without drastic structural alterations. The first sale day was on January 21st, 1919, when the society started "with a borrowed sale-ring, no office, no drovers, but with nearly all the business." Young farmer members did the droving, while part of a shed near by was used as an office during the first year.

Commission Charges.—At the outset, the committee decided not to cut the charges for commission, preferring to make profits and return them in the form of bonus. The charges then ruling were:—Beasts, 5s. and upwards; sheep, 3d. in the £. After several weeks' trading, it was found that the commission in another local auction had been reduced to pre-war rates, viz., beasts, 3s. 6d.; sheep, 7d.; and calves, 1s. per head. The society reduced its charges to the same figures. The commission charged by the society is inclusive of market tolls. A milk-cow sold in Melton Mowbray about this time for £70 cost the farmer 3s. 6d.

in charges. A similar transaction at neighbouring markets where the contemporary charge was 4d. in the £ would have involved payment by the farmer of £1 3s. 4d. The saving to the Melton Mowbray farmer, in such cases, was therefore considerable. Similar economies were effected in the sale of horses. The usual commission of 5 per cent. was reduced to 5 per cent. for the first £20 only, 2½ per cent. being charged on the remainder. One hundred horses were entered at the first sale. The results of this sale are interesting; sellers were saved £100 in commission, £50 was paid out in prize money, printing expenses were covered and the association earned £100 net profit. In addition to the Tuesday market at Melton Mowbray, the society now has a ring in the Nottingham market. On market days, the society employs three auctioneers, six clerks and eleven drovers. Since the early years of the society, market tolls have been considerably raised, necessitating an increase in commission charges. The latter are now:—Beasts, 4s.; sheep, 1s.; calves, 2s. to 3s.; pigs, 1s. to 5s.; poultry, 5 per cent.; and horses as above.

Financial Results.—The result of the first year's trading enabled the committee, after carrying to the reserve fund the amount provided by the rules, to pay 6 per cent. on the share-capital and return a bonus of 2s. 6d. in the £ on the commission earned from each member. In its second year, suitable offices were secured and a feeding-stuffs department was started, together with a butcher's shop. Fresh capital was secured for these developments. The statistics of the society for the past five years are as follows:—

Year.	Members.	Capital.	Reserves.	Auction Sales.	Other Depts.	Total.	Net Profits.	Bonus on Commissions paid by Members
		£	£	£	£	£	£	s. d.
1919	- 400	1,500	—	166,350	—	166,350	516	2 6
1920	- 434	3,162	211	357,287	8,252	365,539	1,253	3 0
1921	- 443	3,753	915	250,309	18,612	268,921	235	Nil
1922	- 444	3,767	1,316	166,971	22,652	187,623	989	1 9
1923	- 448	3,792	1,619	175,357	28,716	204,073	578	Nil
1924	- 448	3,792	—*	130,549	28,910	159,459	1,253	—*

A cattle dealer who had been buying extensively in the autumn of 1921, stopped payment; this resulted in a serious loss which accounts for the lower profits in that year.

Stock Handled.—Like many other auction marts, it has suffered from the restrictions which have had to be imposed in consequence of outbreaks of foot and mouth disease. Except for poultry sales, the mart was entirely closed for this reason for five weeks of the busy season in 1923, and for fourteen weeks.

* Not yet determined.

in 1924, and partly closed for seventeen weeks in the latter year. The figures of stock sold are as follows :—

Year.	Beasts.	Sheep.	Calves.	Pigs.	Horses.	Poultry.
1919 - -	4,886	6,831	2,787	483	652	—
1920 - -	9,098	8,935	2,528	359	510	7,016
1921 - -	7,245	8,586	2,623	751	470	7,151
1922 - -	5,206	11,883	2,197	482	616	11,736
1923 - -	6,266	13,995	2,766	449	421	12,253
1924 - -	3,592	14,101	1,073	528	429	20,786

It will be observed that sales of sheep and of poultry have considerably increased. In addition to the mart, the society's auctioneers conduct farm sales, and special sales for certain classes of stock. The figures for this branch, in 1924, were 16 farm sales, 4 horse sales, 1 wool sale, 1 bull sale, 1 ram sale, and a special sale of breeding sheep and store cattle. In addition, 81 valuations were carried out.

The auction mart is becoming a popular source of supply for spring stores to stock the pastures for which the district is famous. The autumn sales for horses and foals attract many buyers, while the calf sales are notable for the excellent quality of the stock offered.

(iii) Business Aspects of Livestock Auction Marts.

Marketing Services.—Co-operative livestock auctions enable the farmer members to market their cattle under favourable business conditions. Thus, the auctioneer is usually engaged by the society, though not necessarily on a whole-time basis, and his fee or salary is under its control. The commission charges for sale of each class of animal are determined by the society, and all available safeguards to guarantee open competition can be taken. If, as is believed in some quarters, buyers in the smaller markets arrange informal agreements or create rings to control prices, or if certain large buyers tend to dominate demand, then the producers' organisation is in the best position to defend its own interests. In the case of four societies, the auctioneer employed carries out farm sales and estate sales on behalf of the society. In one case, the percentage of the society's earnings represented by this part of its work appears to be considerable.

The success of the auction method of sale depends a great deal upon the reputation of the auctioneer, and on the quality and volume of trade. The Linlithgow Committee (*Report on Meat*, p. 88) suggested that co-operative auction marts have succeeded mainly in areas where there was a fairly close adjustment of demand and supply, but that their function and usefulness were limited wherever the district was a cattle exporting area and where, therefore, farmers knew that sales had to be arranged with

distant buyers to preserve the most favourable level of prices. Part of this tendency to private sale in export areas may, of course, be due to the financial consideration which the dealer may have given to the farmer in the purchase of store stock rather than to any intrinsic economic merit in the arrangement. The advantage of a local market to the farmer is that he gets rid of his animals in good condition without facing the responsibility of the speculative transfer to other and more distant markets. The majority of the co-operative auction marts handle all kinds of livestock, but one or two report that their sales are confined to fat-stock.

It cannot be said that co-operative auction marts vary much in their general practices from other marts. Some cut commission rates; in one or two cases the other auctioneers in the same market have followed suit, while higher charges continued in neighbouring markets. The remainder preserve the usual levels of commission and pay out any profit in bonuses. They are not united in opinion on the advantages of weighing fat cattle before sale, nor can they be looked upon as embodying a new idea. The business is either on a cash basis, or on short term credit up to 7 days, the society assuming responsibility for the debts of defaulting buyers.

Capitalisation and Finance.—Particulars with regard to number of members, share capital per member, and sales per member are given in Table XII, page 190. There are somewhat notable variations in the share capital per member, from £1 to £3 up to £30 with an average of from £10 to £11, but these figures, as also the position regarding loans, depend upon whether the society owns or rents its own mart, or pays tollage for its use. It may be said, however, that livestock auction marts, in general, may be started on a lower basis of capitalisation than almost any other form of co-operative marketing undertaking. The turnover figures also represent so extreme a variation in amounts, ranging from £160 up to £1,000 per member, that no safe deduction can be made from the figures, since more than livestock sales may be included. The actual trading involves the use of very little working capital by the society, as credit, if given, is kept short and other capital requirements arise mainly in connection with the upkeep of the mart itself, if the mart is the property of the society, and the upkeep of offices and any other premises.

Certain of the marts are distinctly small, 6 of them doing less than £300 a week (based on a fifty-week year) in total turnover. Five societies only report their trade as increasing, while four others state that they are holding their own. Three report the payment of bonuses. One of the largest societies has for some years paid a bonus of 15 per cent. on its paid-up share capital, in addition to the fixed percentage of 5 per cent. This society also pays a small annual bonus to buyers and sellers.

Relation with Members.—As with other forms of co-operation, the societies have difficulties with members. Members are not

pledged to deliver to the societies, nor is it easy to determine the extent to which they really support them, owing to business with non-members. The comments of some secretaries and managers make it clear, however, that members are not uniformly loyal in their support; they sometimes send their best cattle to alternative outlets and their poorer stock to their own mart.

It may be impracticable to insist that members should bind themselves to use their own auction mart to the exclusion of any other method of sale, as sale by auction may not always be the most satisfactory method of disposal in every case, but that is not to say that there should not be some understanding or agreement between members and their society to the effect that all stock which they elect to sell by auction should be sold through the society's mart. In many cases the co-operative auction marts are in competition with other auctions in the same area, and, as with other co-operative marketing undertakings, they require regular support if they are to continue to serve their purpose. It is true that it may be difficult to bring home to members the importance of regular support when the immediate cash advantage to members as compared with non-members is usually inappreciable. In one instance only is it reported that non-members are charged a higher rate of commission, viz., $1\frac{1}{2}$ per cent. against $1\frac{1}{4}$ per cent.; otherwise, both members and non-members appear to be charged the same rates of commission, the only advantage to members, apart from interest on shares, being the bonus or dividend, if any, on the amount of stock which they pass through the mart. This may be small in individual cases. A long view is, however, essential and members should have regard to the fact that the mart exists to safeguard their permanent interests.

B.—NOTE ON THE SALE OF LIVESTOCK BY TRADING SOCIETIES NOT OWNING OR CONTROLLING AUCTION MARTS.

Table XIII, page 191, gives the value of livestock sold by a number of general trading societies not owning or controlling auction marts in the year 1923. The Table does not include a number of such societies returning total annual sales of less than £400.

It will be observed that the Eastern Counties Farmers' Co-operative Association has far and away the largest recorded turnover, its sales of livestock, mainly pigs, amounting to £365,033. The society has a slaughter-house, but its principal business is that of collecting and grading pigs, on an agency basis, for despatch to various factories. It does not, however, act in this capacity on behalf of any of the existing co-operative bacon factories. It is claimed that the society by reducing intermediate expenses such as transport, obtains for its members full market value for their pigs at a minimum cost. It may be observed that this form of co-operative marketing is adapted to exporting

areas, and is common in the United States where organisations for the purpose operate both in the local and terminal markets.

Of the other societies referred to in Table XIII, five are dairy societies, some of which buy and fatten pigs in order to use the by-products of dairying to the best advantage.

It may be assumed that the remaining societies merely arrange for the sale of small consignments of livestock from time to time to meet the convenience of members. No information is available in respect of societies with a small turnover in livestock to show how far the sales recorded include small livestock, or represent commissions earned.

One or two societies, not shown in Table XIII, arrange annual or periodical sales of lambs and other stock.

So far as can be ascertained there are no societies dealing solely in small livestock, but mention may be made of Fur Board Ltd., a society organised to market the pelts of British rabbits of high-class fur-producing breeds with a view to displacing a proportion of continental supplies. Its membership at the end of September, 1924, was 304, share capital, £763, and turnover for preceding nine months, £3,594. The society has throughout shown satisfactory financial results and has annually increased its turnover.

CHAPTER VIII.—CO-OPERATIVE SLAUGHTERHOUSES.

(i) Development.

The existing co-operative slaughterhouses have their origin in an experiment in co-operation which was made during the war period, prior to which co-operative slaughtering, under the auspices of producers, though from time to time attempted, had made practically no headway.

In 1917, the Ministry of Food assumed control of slaughtering in a number of convenient centres throughout the country, and established government-authorised slaughterhouses to which neighbouring farmers were encouraged to send their cattle and sheep direct instead of to the livestock markets. To increase the confidence of producers in the dead-weight system of sale the Ministry of Food, in consultation with the Agricultural Organisation Society, drew up a scheme by which farmers could themselves co-operatively undertake the control and management of slaughterhouses and act as slaughtering agents on a commission basis for the Ministry of Food. In some cases, farmers' societies already in existence entered into the arrangement and took over authorised slaughterhouses in their various districts; in others, new societies were started for the purpose. This movement, which was initiated in March, 1918, quickly made headway so that, by June, 1919, there were twenty of these societies at work slaughtering collectively 1,400 head of cattle and 6,750 sheep a week on the average, and generally giving their members satisfaction. Of these twenty, fourteen were societies which had added slaughtering to their other departments. It was a feature of the scheme that societies were relieved of the necessity of raising capital to build or equip the slaughterhouses, and of all responsibility, financial or otherwise, in respect of payment for the stock and the sale of the meat. Further, they were provided with expert guidance with regard to general working by the officers of the Ministry of Food. In 1919, with decontrol in prospect, it was felt that steps should be taken to set up a central body to organise outlets for the surplus meat and offals of the various societies already in existence and generally to safeguard their interests. Decontrol did not take place so soon as was then expected, but in June, 1919, the Ministry of Food decided not to sanction further transfers of slaughterhouses to farmers' societies. It was agreed subsequently that societies wishing to take over slaughterhouses on decontrol should have an option of transfer on all slaughterhouses then under the control of the Ministry of Food, with the exception of those which were private property.

In September of the same year, the Inter-Departmental Committee on Meat Supplies* recommended that "the provision" of slaughterhouses and auction marts and sale yards under the

* Cmd. 456.

“ direct control of farmers should be encouraged.” The committee also regarded “ the sale of stock by dead weight at “ co-operative slaughterhouses as the most satisfactory to the “ farmer and at the same time serving the interests of the “ consumer.” There were then 93 government authorised slaughterhouses in England and Wales, 21 being farmers’ co-operative concerns.

In the early days of 1920 information obtained from the farmers’ slaughterhouses showed that outlets would eventually have to be found for considerable quantities of meat and offals surplus to local requirements. A scheme was formulated for the distribution of all such meat through the Agricultural Wholesale Society (*see later*), the central trading body of the farmers’ co-operative movement. Stalls, for the purpose, were to be acquired by this organisation in the wholesale meat markets of the principal consuming centres and direct trading relations established where possible with the butchering departments of the large industrial co-operative societies. In June, 1920, however, one month before decontrol of home-produced meat took place, a modified scheme was agreed to, by which the proposal to operate in provincial meat markets was abandoned, and all surplus meat and edible offals were to be concentrated for sale through the Agricultural Wholesale Society on Smithfield Market, London, only.

In the meantime, the knowledge that farmers’ co-operative slaughterhouse societies were investigating the possibilities of marketing their surplus output, attracted the attention of certain commission agents in business on Smithfield Market; and in December, 1919, a deputation from a number of stallholders met the farmers’ representatives and expressed their willingness to form themselves into an association, if necessary, and, as such, to handle the output of the slaughterhouses at a commission of 2½ per cent. in respect of meat and 5 per cent. for offals. A railway clearing centre was to be established to enable consignments to be despatched to the several stalls and the agents’ books were to be available for inspection by the Agricultural Wholesale Society which was to organise the supplies. This proposal was not, however, proceeded with. The arrangement eventually adopted involved the establishment of a special meat section of the Agricultural Wholesale Society, and the formation by a group of salesmen at Smithfield of a company to act as sole selling agency for supplies, the clearing-house expenses of the Agricultural Wholesale Society and the commission in respect of sales being met by a charge of 3 per cent. on the selling-prices of meat and 5 per cent. on offals.

At the time of decontrol of home-produced meat it was believed that twenty of the existing slaughterhouse societies would definitely continue business and that six others might possibly carry on, but the violent fluctuations in supplies and prices which immediately ensued upset all calculations. Most societies were overstocked for their local trade and found it necessary to consign

large quantities to Smithfield; London was flooded with supplies and prices dropped. The control of imported meat, which was maintained until March, 1921, added to the difficulties. Farmers eventually found themselves able to obtain satisfactory returns by selling their fat stock direct to local butchers, and they not unnaturally preferred a good price, without risks, in the livestock market, to taking the speculative risks incidental to the sale of dead-meat on Smithfield. In some cases, societies broke away altogether from their selling agency, and, early in 1921, instead of receiving a minimum weekly supply to the value of £6,000 as was contemplated, the agency was realising a turnover of only about £600 a week. A survey of the societies at that time showed that the majority were not paying their way, that business was irregular and inadequate, and that members were tending to regard their societies merely as convenient outlets for poor-grade stock. By the middle of 1921, it was decided to close the Smithfield agency. Of the farmers' co-operative slaughterhouses formed under control, eight remain; to which must be added three other societies established immediately afterwards. These eleven societies are operating to-day. Particulars of these societies are given in Table XIV, page 192.

(ii) Example of a Co-operative Slaughterhouse.

THE WEST DEVON AND NORTH CORNWALL FARMERS.

This society, which conducts its business from Holsworthy, North Devon, was formed by the merging of two smaller societies in 1919, and is primarily engaged in supplying its members with agricultural requirements. It also markets wool, corn and potatoes on their behalf, and, in addition, has its own slaughterhouse. The slaughterhouse trade is principally in mutton. The society has a paid-up share capital of £7,335 and a membership of 364. In 1924, the slaughterhouse turnover amounted to £10,327. It is estimated that 20 per cent. of the farmers in its trading area are members.

The society's area of operations embraces that portion of West and North Devon and North Cornwall served by the Southern Railway Company between Okehampton and Bude. The district is remote from any large consuming centre and depends largely on dealers for the marketing of all classes of produce. The sheep which have been common to that part for many years are principally Devon Longwools with a sprinkling of Exmoor Horns. During the last few years, South Down rams have been successfully crossed with the former, producing a good type of early maturing animal which finds a ready sale on the London market. A few pigs are handled by the society, mainly Large Blacks.

Slaughterhouse Arrangements.—When the London and South Western Railway was extended to serve North Devon, it was thought that farmers would welcome the opportunity, thus afforded, of sending away their stock, as dead meat, for sale on

the London market. Slaughterhouses were, accordingly, erected by the company at a number of stations and killing facilities provided on payment of a small "headage" charge. Although conveniently situated for the despatch of meat by rail, the slaughterhouses were, however, lacking in many facilities customary in modern abattoir practice. No provision was made for refrigeration, for example; or for the economical handling of lower grade offals.

Farmers were slow to make use of these slaughterhouses. Dealers, however, found them a great convenience and discovered that, by purchasing sheep at the local auctions and markets and accepting the responsibility of slaughtering and marketing the carcasses and offals, they could obtain better returns.

The imposition of control in 1917 resulted in all slaughterhouses in the area, other than those at Exeter and Holsworthy, being closed down. At the commencement of 1918, the Ministry of Food handed over the conduct of Holsworthy slaughterhouse to the society, which carried it on under the regulations until de-control took place in July, 1920.

The slaughterhouse then reverted to the railway company, which asked the society to continue occupation and administer it in the interests of the society and of others having need of slaughtering facilities in the area. At a later date, the railway company also offered to the society the slaughterhouse at Halwill (about 6 miles S.E. of Holsworthy); this was accepted.

Briefly, the conditions upon which these slaughterhouses are held by the society are—

- (1) the holding of repairing leases on the premises, at agreed rentals;
- (2) the granting of slaughtering facilities to other users in addition to members of the society;
- (3) the *per capita* charge to non-members to be within certain inclusive limits;
- (4) a set of books to be kept which shall be open to inspection by the railway company, showing the number of stock dealt with and the charge per head made for the use of the facilities.

Methods of Business.—As the slaughterhouses have to be prepared to deal with the supplies of both members and non-members, including dealers, it was realised that the abattoirs, being somewhat restricted in size and without facilities for the division of labour or separation of stocks, would be difficult to administer unless some agreement was entered into between the society and other users. This need for collaboration was emphasised, for example, in the savings in freightage which would be effected if some arrangement for working together could be devised. A meeting of all interested parties was accordingly convened at which the suggestion was put forward by the society that the consignments of all users of the slaughterhouses should be combined for purposes of despatch in order that full advantage

might be taken of the reduced railway rates payable on large quantities. At first the dealers were not inclined to co-operate, but the benefits to be obtained were so palpable that they eventually saw the advantage of some such understanding and agreed to pay the society a small commission for its services as forwarding agents. When it is realised that between lots of 3 cwt. and 4 tons there is approximately a difference of 34 per cent. in the rates, and that previously it was not unusual for ten separate consignors to despatch only about four tons between them, it will be appreciated that considerable savings were, in fact, effected.

At each slaughterhouse the society has its own salaried manager, who is responsible for the staff; these latter are paid at piece-work rates. The manager is responsible for an account being taken of all stock entering the slaughterhouse and for a note being made of the distinctive marks employed by the various senders. He supervises the slaughtering of the stock and the weighing, labelling and loading of the meat into the railway vans; he also attends to the despatch of offals and pelts. These services are rendered alike to members and to non-members, the cost being borne by a head charge and commission, and allowed for in the case of the former in the flat rate quoted to members for their supplies.

So far as non-members are concerned, the society's services (apart from the payment of carriage) terminate when the meat has been loaded for despatch, the sales, rendering of invoices, and collection of accounts being a matter for the actual senders, on whose directions the carcasses are labelled for their several destinations. The society pays all carriage in the first instance, and collects the proportion due from non-members at the end of each month.

Method of Payment for Supplies.—The slaughterhouse department, from 1918 until the latter end of 1923, dealt with its members' supplies on the following lines: it received their stock, slaughtered, dressed, despatched and marketed it, paying to members the price received, less a commission to cover the handling and establishment charges incurred. This method did not meet with general approval. Variations in the prices realised on Smithfield Market for consignments identical in quality and sold on approximately the same dates resulted in dissatisfaction among consignors. A farmer, for instance, forwarding stock on Monday which would be sold on Smithfield the following day on a falling market was unable to reconcile his return with that obtained by his neighbour on Friday, say, when the market may possibly have been more favourable. Farmers preferred auction prices to what they considered to be the erratic prices obtainable in London, and the society gradually lost trade.

In August, 1923, the committee discussed the possibility of the society paying its members a definite price per lb. dead weight at the slaughterhouse, the society assuming the functions of a dealer and itself taking the risk of the London trade. The committee decided to give the proposal a trial for three months.

This was done and a satisfactory profit obtained. Those members who prefer to market their mutton through the society on a commission basis are accommodated accordingly, a charge of $1\frac{1}{4}$ per cent. being made by the society for all incidental services; the majority of members, however, prefer a flat-rate payment.

All stock is paid for at a price quoted by the manager at per lb. dead-weight. This price is arrived at by taking into account the following factors: (a) an estimate of the price per lb. dead weight likely to be obtained on the London market on the date and at the time the consignment will be sold, (b) a very approximate knowledge of the price which will be obtained for both the edible and inedible offals, (c) the allocation of a fixed charge per head to cover overhead and establishment charges, (d) the average quality of the consignment concerned. Close touch with Smithfield is maintained both by 'phone and wire, which enables the manager to determine current values with reasonable accuracy.

It is interesting to note that members sometimes forward stock to the society for disposal without first troubling to ascertain the price they will be paid, and are content to leave it to the society to certify the weights—a degree of confidence which is a tribute to the society's reputation for fair dealing.

Another instance of the equitable method of dealing is that it is customary for the society to quote members a price per lb. for their stock based upon fair average quality. If, when the stock is sent in, the quality is above the presumed standard, the society pays a higher price than that quoted. Members, if they desire it, are paid for their stock on delivery, or at any rate within seven days. There is no insurance scheme in operation, the society's trade being mainly in sheep.

Method of Sale.—The society markets all its meat and edible offals on Smithfield Market, the former being handled by one commission agent only, who disposes of the society's entire output at the standard rate of commission. Slaughtering usually takes place five and, sometimes, six days a week, the meat being despatched by a special agricultural produce train leaving Holsworthy daily at 4 p.m. and enabling deliveries to be made at Smithfield at 5 a.m. the next morning. Losses due to late delivery occur very seldom, and then are usually attributable to fogs. Attempts have been made to explore the Midland markets, but the drawback has been the longer time taken in rail delivery.

Sales fluctuate with the period of the year, being heaviest in November and December. In July and August the numerous west-country health resorts make heavy demands on the mutton and lamb supplies of Devonshire and Cornwall, so that, at times, the society finds it more profitable to sell to local dealers who are able to pay higher prices than those obtaining on the London market in consequence of the outlets which they serve in these towns.

Disposal of Offals.—Edible offals are despatched in hampers to offal salesmen at Smithfield Market, being packed with ice in the hot weather. Of the inedible offals, runners are sold to the gut factories of which there are two at Holsworthy, paunches to dealers for pig feeding and heads go to Smithfield. All pelts are disposed of at the Co-operative Wholesale Society's fellmongery at Buckfastleigh, Devon. They are railed to Exeter and there collected by C.W.S. motor transport.

Although the customary method of disposal of pelts is sale by grade, the society markets them on an "all in" price, a method which is said to be preferred by both farmers and dealers in North Devon. It is interesting to note that, in addition to marketing its own pelts, the society also purchases pelts for the Co-operative Wholesale Society from dealers and others killing on the same premises.

Progress.—The general results of the society's slaughterhouse trading month by month, from September, 1923, when it adopted the practice of paying members outright for their stock on a deadweight basis, to December, 1924, are shown in Table XV, page 193. Particulars of the head of stock handled, slaughtering charges and meat and offal sales for 1920 to 1924 are shown in Table XVI, page 193. It will be observed that the number of stock of all kinds handled increased in 1924, pigs and cattle showing the greatest proportionate increase. No information is available regarding the proportion of the society's members which make use of the slaughtering facilities.

Advantages to Members.—The society claims to be of advantage to its members in that—

- (1) As purchases are made on a deadweight basis it returns full value for stock received;
- (2) It affords members the privilege of marketing their stock through whichever is the best of the three channels, namely, the society, the local auction mart or the dealer; the current prices quoted by the society represent fair market value and constitute a valuable guide in the event of either of the other alternatives being preferred;
- (3) It saves members both the trouble and expense of marketing, and is always open to accept supplies;
- (4) If, in its capacity as dealer, it makes a profit, such profit goes back to its members;
- (5) It is effective in neutralising the influence of "rings" and of steady prices generally;
- (6) It returns to the producer of good mutton a higher average price than he would receive through other channels.

The society is confident that its slaughtering operations are beneficial not only to those of its members who forward supplies, but, in general, to every live stock farmer in its area. It should be observed, however, that, since August, 1923, when the society changed its trading methods, it has been buying stock at current prices and accepting a merchant's risk.

(iii) Business Aspects of Co-operative Slaughterhouses.

Marketing Services.—Co-operative slaughterhouses represent the most ambitious attempt on the part of producers to integrate marketing processes in the disposal of live stock. They aim at receiving and slaughtering the members' stock, paying members on the basis of actual carcase weight and giving them a share in any savings which may accrue from the cutting out of certain marketing processes as well as a share in any profits arising from the disposal of by-products. If these objects were accomplished, the producers would be in a position to control the whole of that speculative margin which exists between the livestock and dead-meat markets. Slaughterhouse societies engaged in a consignment trade also save their members the loss and deterioration which livestock sustain when railed long distances on the hoof, and enable advantage to be taken of the cheaper railway rates on dead meat, as compared with the rates on livestock, thus effecting substantial economies on consignments to distant consuming centres.

The existing societies may be broadly classified according to whether their supplies are (a) wholly or mainly consigned away to wholesale meat markets; (b) wholly disposed of for local consumption; or, (c) partly consigned away, but largely disposed of locally as societies may decide. Societies in category (a) are situated in stock exporting areas, those in (b) are located in large consuming centres, while those in (c) appear to be situated in districts with a moderate density of population. Societies in class (a) are North Devon Farmers, West Devon and North Cornwall Farmers, and Tweedside National Farmers' Union Co-operative Slaughterhouse. Societies in class (b) are Tees-side Farmers (at Middlesbrough), Hants (Hampshire Farmers), Abattoirs (at Southampton), Plymouth and District Farmers (at Plymouth), and South Wales Farmers' Co-operative Abattoirs (at Swansea). Societies in class (c) are Mid-Gloucestershire Farmers (at Stroud), Berks, Bucks and Oxon. Farmers (at Reading), the Eastern Counties Farmers (at Ipswich), and the Didcot Co-operative Slaughtery.

The marketing methods which societies adopt vary in accordance with the above classification. The societies situated in stock-exporting areas send their meat and edible offals to salesmen at Smithfield Market, London, for sale on commission, disposing of their inedible offals, hides and skins, locally. The Tweedside society also owns a retail shop for local trade. Societies in consuming centres sell to local retailers in all cases. Two of the societies in class (c) forward to Smithfield mainly as an outlet for surplus, while the Mid-Gloucestershire Farmers, in addition to carrying on a considerable local trade with retailers, mainly industrial co-operative societies in Stroud and neighbourhood, conducts a wholesaling agency in the Bristol market for

the balance of its supplies. The Berks, Bucks and Oxon. society also has its own retail meat shop. All societies appear to sell their inedible offals, &c., to casing manufacturers, hide and skin merchants and other wholesalers or manufacturers, including the Co-operative Wholesale Society. In only one case is any difficulty reported regarding the disposal of any portion of the inedible offals in this way, but there is no evidence to show how far societies are trading on a sufficiently large scale to handle their by-products to the best advantage by converting them into fertilisers, and cattle and poultry food.

Capitalisation and Finance.—Particulars as to membership, share capital per member, and turnover per member, are given in Table XIV (p. 192). Apart from the five societies which are also engaged in general agricultural trade, the membership figures of which relate to the undertakings as a whole and consequently may bear little or no relation to the number of members actually using the slaughterhouses, the figures in Table XIV show that, in general, the share capital per member is relatively high in slaughterhouse societies and ranges up to £80 per member. All societies have loan-capital of varying amounts. While the turnover of societies may be considerable—seven have turnovers exceeding £30,000 per annum—the capital requirements of slaughterhouse societies should not be considerable unless they find it necessary to purchase or erect and equip their own abattoirs and to enter retail trade. Relatively little capital is needed to finance actual trading operations as turnover is fairly rapid, particularly if the retail shops can be conducted on a cash basis.

Relations with Members: Supplies and Payments.—The methods adopted by societies to obtain supplies depend partly on the attitude of members, there being no contracts, and partly on the nature of the societies' trade. Four societies state that they found it necessary to buy outright from both members and non-members in the open market; two of these societies also sell on commission. The remaining societies claim to deal with members only, four buying outright and two paying their members on the basis of actual values realised, less charges and/or commission, as the case may be. It is obvious that the societies which depend on trade connections with retailers, or on their own retail establishments, for the disposal of their meat, must maintain regularity of output, both to satisfy demand, and to keep the societies' servants profitably employed. It is these societies which, if inadequately supported by their members, have no alternative but to supplement their supplies by purchase in the open market. Societies engaged in a consigning trade are, in general, less vulnerable in this respect, although regularity in consignment reacts to their advantage.

The experience of societies varies as regards membership support. Only one or two societies appear to be moderately

well supported. There is a tendency, in others, for members occasionally to send only low-grade animals to their society's abattoir. Indeed, it has been necessary, in some cases, to instruct managers to do everything possible to discourage this practice either by paying disproportionately low prices for poor-quality stock, or by refusing to take low-grade material from any member unless his top-grade supplies are also sent in. It has been suggested that the widespread prejudice of farmers against accepting the dead-weight basis of payment has made them reluctant to support these enterprises. Other reasons given are the value of the commodity and the opportunity for speculation which exists with regard to its disposal. Whatever may be the reason, it is a fact that members of slaughterhouse societies are more indifferent to this question of regular supplies than members of most other forms of co-operative marketing undertakings.

In this extremely complicated trade, it must be more satisfactory for societies to conduct their business on the basis of paying members the actual prices realised for supplies sent in, less charges, rather than to carry a merchant's risk in the disposal of meat and offals. A corollary of this would appear to be that members should contract to supply their society with agreed quantities of stock for a fixed period, however great an innovation this may be in present circumstances. Without some such arrangement to ensure supplies and financial stability, societies must always find it difficult to maintain trade connections and to continue to fulfil their purpose.

Management.—The fact that, in many cases, members of slaughterhouse societies appear to take only a limited interest in the welfare and progress of their undertakings, places a special responsibility on the committees and managers. This is particularly the case where the abattoir is in a consuming area and the members, in consequence, live at a distance. It will also generally happen that the committee has to leave an unusually large share of responsibility to the manager on account of the highly technical character of the business. The latter's qualifications must, in any event, be considerable, since, in addition to possessing wide experience and knowledge of the slaughtering trade, he has, in most societies, to be a good judge of livestock in order to buy well. The manager has further to keep himself well acquainted with the varying conditions of the wholesale and retail meat trade in order to maintain existing connections and to show initiative in developing others. The trade is, in fact, one of the most difficult of all those undertaken by agricultural co-operative marketing undertakings in this country. It may be some reflection on this that, of the existing societies, annual losses have been made in three cases, while in two others the profits have been inconsiderable. The remaining societies, however, have had satisfactory results in general, paying 6 per

cent. to 8 per cent. on their capital and returning in some cases bonuses up to 10s. per £100 on sales.

General.—Although the existing societies take an altogether insignificant part in the marketing of dead meat in this country, it is possible that societies trading on a sufficiently large scale, equipped to deal efficiently with by-products, and adequately safeguarded by membership contracts and a price policy based on actual returns, might fulfil a much wider purpose. A survey of livestock marketing areas would appear to be necessary to determine where conditions favour the organisation of co-operative slaughtering on these lines.

CHAPTER IX.—CO-OPERATIVE BACON FACTORIES.

(i) Développement.

(a) 1901 to 1914.—In the year 1910, some 25 years after the first farmers' co-operative bacon factory commenced operations in Denmark, the first enterprise of a similar kind in this country, namely, the St. Edmundsbury Co-operative Bacon Factory, was formed at Elmswell in Suffolk. In the following year, the advisability of promoting similar enterprises in other parts of the country appears to have been seriously considered. In 1912, the year in which the St. Edmundsbury factory commenced actual business, another co-operative bacon factory was registered at Hitchin under the name of the Hertfordshire and Bedfordshire Co-operative Bacon Factory. For this latter enterprise, capital to the extent of about £25,000 was subscribed, about one-half by some three hundred of the smaller farmers in the neighbourhood—a point of some significance having regard to the importance to a factory of an assured supply of pigs. The following year the Wiltshire Farmers, a dairy society, acquired a small bacon factory at Chippenham which was formerly run by a joint-stock company. A society in Anglesey, the Menai Bacon Factory and Farmers' Association, was also formed to take over and work a disused factory.

A note of warning was, however, sounded by the Agricultural Organisation Society in the following year. In its annual report issued in 1914, the society advocated "the formation of co-operative societies for the disposal of live pigs rather than the establishment of co-operative bacon factories, because for this purpose a smaller amount of capital and a smaller number of pigs are required to build up a sound and profitable business, and hence the risk is minimised." It was pointed out that organisation for the sale of pigs was a valuable preliminary to the establishment of a bacon factory, as tending to ensure a regular and sufficient supply of raw material.

(b) 1914 to 1924.—During the war period, little interest appears to have been taken in the co-operative manufacture of bacon as a farmers' enterprise, although the factories at Elmswell and Hitchin made satisfactory progress, increasing their turnover from £54,144 and £52,947 respectively in 1913 to £351,298 and £141,249 respectively in the year 1920. In the latter year the Hampshire Farmers' Co-operative Abattoirs acquired an established bacon factory at Eastleigh, and became known as the Hampshire Farmers' Co-operative Abattoirs and Bacon Factory. The society commenced operations on a comparatively small scale, killing up to 100 pigs a week.

Subsequently, the success achieved by the Elmswell factory, the high prices ruling for pigs and the rising figures of bacon imports, led to a revival of interest in the co-operative possibilities of the bacon industry. In fact, something of the nature of a

boom in co-operative bacon factories occurred. The three co-operative bacon factories referred to above, which were serving an area of roughly seven counties, were joined in 1923, by three new concerns which were established at Lenham in Kent, at Kidlington in Oxfordshire, and at Ruskington in Lincolnshire. It was calculated that the three new factories would serve approximately fifteen counties, and that the six farmers' co-operative bacon factories in the country, if worked to full capacity, would have between them facilities for displacing slightly less than 10 per cent. of the Danish bacon imported into this country. As has been the case so frequently with co-operative enterprises, the new societies commenced operations in unfavourable circumstances owing to the sharp fall in prices of pigs and bacon in 1924, unusually heavy imports of bacon from Denmark and a reluctance on the part of some of their members to rear and feed pigs at the low prices obtainable.

The establishment of two additional co-operative bacon factories is now under consideration to serve Cumberland and the Border Counties, and Devon and Cornwall. A new society has recently been registered in Yorkshire. Mention should also be made of an unregistered body, known as the Council of English Farmers' Co-operative Bacon Factories, which is representative of each of the six co-operative factories at present working and meets from time to time to discuss matters affecting the industry. Another development was the registration in June, 1924, of an organisation known as the English Farmers' Bacon Agency, for the central marketing of the bacon and other produce of the societies. This is referred to later.

It will be seen, therefore, that co-operative bacon factories are a comparatively recent development in agricultural co-operation, none of the six established ventures dating before 1910, while of the six societies which are at present actually producing, four have been started since the war. Such particulars as are available in regard to these six enterprises are given in Table XVII (p. 194).

(ii) Example of a Co-operative Bacon Factory.

THE "FOUR COUNTIES" BACON FACTORY.

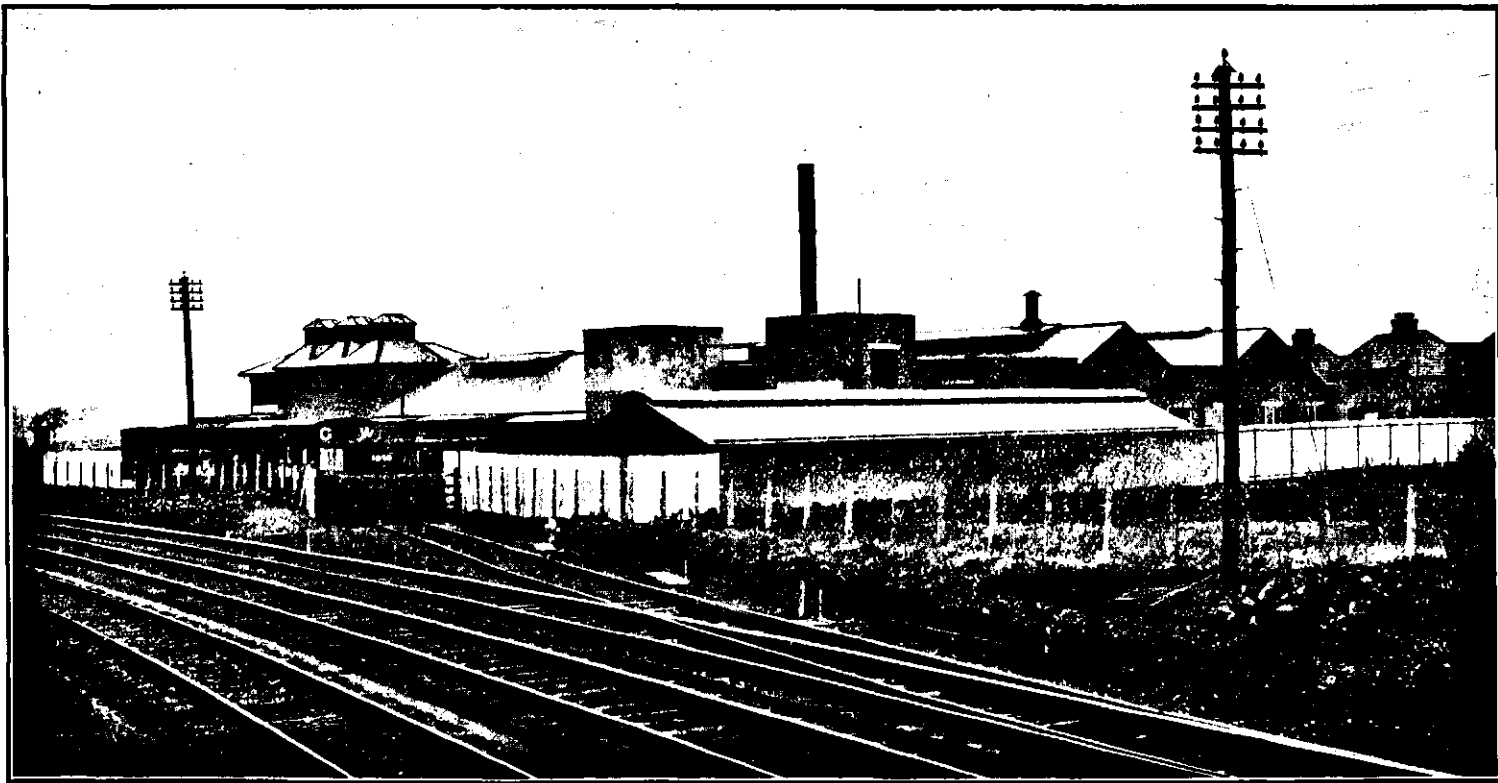
This society originated in 1919, when a farmers' co-operative slaughterhouse was established in the town of Southampton. In 1920, a private bacon-curing factory at Eastleigh, established in 1909, was acquired by the slaughterhouse society which then became known as the Hampshire Farmers' Co-operative Abattoir and Bacon Factory. The joint functions of slaughterers and bacon-curiers were carried on until March, 1924. The society then resolved itself into two societies, one for the original purpose of slaughtering cattle and sheep and known as the Hants Abattoirs (Hampshire Farmers), and the other, registered as the Hants and Wilts Bacon Factory, to cure bacon and hams

to manufacture lard, sausages, brawn, &c., and to supply the markets with fresh pork. The latter society proceeded with the erection of a larger and more up-to-date factory to serve the four counties of Hampshire (with the Isle of Wight), Wiltshire, Somerset and Dorset and, at the end of 1924, became known as the Four Counties Bacon Factory. It will be observed that the bacon-factory department of the original society began its career with an existing business and a definite goodwill. It retained the services of the previous managing director as its own general manager, and so was able to avoid the initial difficulties which ordinarily confront co-operative bacon-factories arising from lack of experience in this highly technical trade.

The Factory.—The original factory, purchased in 1920, had a capacity of 150 pigs per week and cost £4,000; the new factory, equipped with the latest labour-saving machinery and plant, is capable of comfortably handling 1,000 pigs a week and involved an outlay of over £30,000. A photograph of the new factory appears on the opposite page. The whole of the machinery and plant is of British manufacture and design.

The factory, which was opened by Lord Bledisloe, the Parliamentary Secretary to the Ministry of Agriculture, in December, 1924, is situated at Eastleigh, an important junction on the Southern Railway near Southampton. It is also on the main line to London with quick through facilities to such centres as Portsmouth, Cardiff, Bristol, Brighton and Salisbury.

Pigs are unloaded at the society's railway-siding adjacent to the eastern end of the building; those coming by road enter the pens at the same place. Considerable attention has been given in planning the factory to the problem of economic handling. Thus, from the killing-pen, through the bleeding-passage, the carcasses pass, in what is practically a continuous operation, into the scalding tank, thence into the dehairing machine (a revolving cylinder capable of dealing with 100 pigs an hour) and through a singeing furnace of similar capacity. After singeing, the carcasses are cooled by automatic sprinklers, cleaned and passed on to be dressed. Edible offals pass into a cold room, inedible offals to the "digester house" where nothing is wasted. Blood from the bleeding passage is also conveyed to the "digester house," where it is converted into blood meal; bone and meat meal are also manufactured there. The carcasses pass to the hanging room where they remain until the following day, when they are weighed, trimmed for bacon and chilled. After being chilled they proceed to the curing room at the west end of the building whence, when ready for dispatch, they pass on to the packing room adjoining and from there, as required, are loaded direct into railway vans at the door. The hanging, curing and chilling rooms are divided from the machinery room, sausage and lard departments and lard room, by a wide corridor running east and west through the building. A suite of offices is located in the west end of the factory adjacent to the packing



"FOUR COUNTIES" BACON FACTORY, EASTLEIGH.

and dispatch room. A comfortable mess room has also been equipped for the staff. Stores for salt, &c., and accommodation for smoking-stoves make up the remainder. Steam for the scalding tanks, lard tanks and for the radiators in the offices and mess-room is furnished by a Cochran boiler with an evaporation power of 3,600 lb. per hour, the refrigeration plant and electric motors are operated by a 75 h.p. oil engine. Separate dynamos are used for each process; the whole factory is lighted by electricity.

Membership and Capital.—The membership and paid-up share-capital of the society has increased yearly, as the following statement shows :—

Year.	No. of Members.	Paid-up Share Capital.
		£
1920	103	2,499
1921	199	6,623
1922	240	8,778
1923	290	9,000
1924	350	20,000

The membership increase in 1924 is encouraging, as very little propoganda on behalf of the new factory has been carried out. It is estimated that a capital of £36,000 will be necessary for the enlarged business. Towards the capital cost of the new factory, a guarantee in respect of interest payments on a sum of £12,000 has been granted by the Government under the Trades Facilities Act. The support which the county branches of the National Farmers' Union have extended to the project in Wiltshire, Somerset and Dorset, will, it is anticipated, result in the required capital being raised, the bulk of the existing capital having been subscribed by Hampshire farmers.

The shareholding obligation of members differs from that adopted by other co-operative bacon factories, being based on the number of acres farmed. Members farming under 100 acres are required to take up 5 shares of £1 each. Those farming over 100 acres and under 200 acres are required to take up 10 shares of £1 each, while those farming over 200 acres are required to take up 50 shares of £1 each. Members may, however, take up as many shares as they please, within the statutory maximum of £200. Village pig-clubs, smallholders and cottagers are admitted to membership on advantageous conditions. Arrangements are also made by the society to collect from remote districts in order that the "little man" may benefit from the "carriage free" system which has been adopted.

Supply of Pigs by Members.—The society has adopted a system whereby a member who contracts to supply a definite number of pigs during any one year will receive 2s. extra for each

pig supplied up to the number contracted for, but only 1s. extra for each pig over and above that number. Failure to observe the contract incurs a penalty of 2s. in respect of each pig contracted to be supplied, but not delivered, unless the member can show to the satisfaction of the committee that unavoidable circumstances have prevented observance of the contract and that he has not forwarded pigs elsewhere during the year. The undertaking of a contract by a member is not, however, obligatory, but it is anticipated by the committee that the arrangement outlined above will go far to ensure an adequate and regular supply of pigs to the factory.

Payment for Supplies.—Prices for deliveries during the following week are fixed every Thursday by a committee composed of one member from each county and the manager. All members are notified in advance of the price per score dead-weight the society is prepared to pay. These prices, so far as bacon pigs are concerned, vary according to three grades of weight :—

(1)	7 score to	9 score.
(2)	Over 9	„ „ 10 „
(3)	„ 10	„ „ 11 „

An extra 1s. per score is paid for all pigs of first quality in grade (1), that is, for firm carcasses showing a good proportion of lean, of good length, light in the shoulders and thick in the streaks. Pigs which are under or above the weights in the grades mentioned, together with sows, boars, and others unsuitable for curing, *i.e.*, excessively fat or soft and with thin streaks, are paid for according to the estimated market value.

Carriage is paid on all lots of not less than ten pigs which need not be all the property of one member, this concession being available from any part of the society's area.

Members receive, not later than the Monday following the date of the delivery of their pigs, accounts showing the dead weights and a cheque in settlement accordingly. Members are allowed the opportunity of seeing their pigs weighed, a privilege which, however, they seldom exercise. No trimming of the carcasses is effected until after the pigs have been weighed, so that the dead weights returned include head, fats, kidneys, tongues, &c.

The society administers its own insurance scheme, the sum of 1½d. per score being deducted from members' accounts to cover any loss they may sustain owing to injury to pigs during transit, or through carcasses being condemned by the local health authorities as being unfit for human food. Power to refuse insurance is reserved in cases where pigs are obviously unsound in a live state, members being notified of this prior to slaughter.

Sales.—All sales of bacon and hams are effected through the English Farmers' Bacon Agency, referred to later. Sales of pork are frequently effected through the same channel. Edible

offals are mostly disposed of in Southampton where they are in demand. Blood-meal and bone-meal are manufactured on a sufficiently large scale to be a profitable adjunct to the business.

Administration.—The society's affairs are administered by a general committee elected annually on an area basis. Arrangements are being made to ensure that each of the four counties is directly represented. As in the case of most societies, definite executive powers are delegated to a small committee of six members.

Financial Results.—The payment of 6 per cent. interest on the paid-up share-capital is the first charge on the profits arising from the society's business, after making due provision for sinking-fund and reserve-fund. This rate was paid in 1920, but since then 8 per cent. has been paid annually. Bonuses amounting to £456 have also been paid to members on pigs supplied. In addition a reserve fund of £1,200 together with a sinking fund of £216 towards the redemption of loan-stock bonds have also been created.

The policy of the society is not to make large profits, but, rather, to pay prices to its members which usually afford a better return than those obtainable elsewhere, and thus to encourage and stimulate interest in the factory and ensure good and increasing supplies. As an example, the average price per score dead-weight paid by the factory during 1923 is said to have exceeded the average prices recorded for bacon pigs on the Salisbury and Dorchester markets by 4·08*d.* per score. This improvement in prices has not been confined to bacon pigs, but has been reflected in the prices obtained for porkers and all classes of fat pigs handled by the society. This policy has, no doubt, accounted for the support in capital and pigs which has been extended to the recent scheme of development.

The new factory has not been at work long enough for any opinion to be expressed on the results. As pointed out above, the society has no definite control over supplies, and, apart from any contracts that members may enter into with the society, must largely depend for its pigs on its power to pay market prices. It pays practically cash on delivery and takes the ordinary risks common to this kind of business.

(iii) Business Aspects of Co-operative Bacon Factories.

Marketing Services.—Co-operative bacon factories exist primarily to provide a farmer-controlled alternative to the pork market. The formation of some of the existing factories has also been undertaken in the belief that, in present circumstances, no large and permanent increase in the pig population of the country is economically possible unless the manufacture and marketing of home-produced bacon is developed at the same time in order to avoid the depression in pork prices which an increase in supplies would otherwise entail. Another motive

has been the desirability of increasing the output of home-produced bacon in order to retain for the benefit of producers in this country a part of the money which is annually spent abroad on imported supplies.

The services which the co-operative bacon factories render to their members involve the conversion of pigs into bacon, the manufacture of by-products, and the organisation of sales. They also on occasions market pork. Most, if not all, societies operate an insurance scheme under which deductions per head at varying rates are made from payments to members to cover losses in transit or the condemnation of carcasses as being unfit for human food. All the existing societies also regularly advise their members on matters affecting pig-breeding, feeding and production generally, having regard to the particular requirements of the bacon market.

Capitalisation and Finance.—A much higher degree of capitalisation is needed here than in most other fields of co-operative marketing; the buildings and equipment are relatively costly, while questions affecting drainage, water supply and the planning and lay-out of factories involve further expenditure on expert and technical advice. Capital is also necessary to enable the societies to pay farmers cash on the delivery of their pigs pending the realisation of the bacon manufactured. Members' share-capital is, therefore, in practice, supplemented by (a) loans, and (b) fluctuating overdrafts.

As will be seen from Table XVII, the share-capital per member varies from £11 to £40, but when allowance is made for loans, overdrafts, reserves and other funds, the average figures of capitalisation are considerably higher and would run from £30 to £100 per member. Loans are obtained either on the personal security of members of the management committee or others, or, as in some cases, by the issue of redeemable bonds. Three of the societies have received loans for a period of years under the Government scheme of advances to co-operative marketing undertakings, and one has received a guarantee under the Trade Facilities Act. The shares are of the nominal value of £1, the minimum shareholding per member varying from one to five shares. In some cases, the number of shares to be taken up is made dependent upon the number of pigs which members contract or pledge themselves to supply. In such cases, there is much to be said in favour of fixing the nominal value of shares sufficiently high to ensure that this arrangement will result in the adequate capitalisation of the society and with it a just distribution of capital obligations. On the basis of the present costs of building and equipping a factory and with due regard to the provision of working capital, this method of capitalisation has the further advantage that it would not, in most cases, conflict with the statutory requirement that the total shareholding per member must not exceed £200.

Proportionate to their initial capital expenditure, the newer factories, *i.e.*, those which commenced operations in 1923-24, are all better supported by share-capital than the older concerns. It may be observed, however, that although these new societies were formed within a few months of each other on land purchased at an approximately uniform rate and were built and equipped for similar purposes, the initial capital outlay varied considerably, even allowing for the fact that the capacity of one factory was somewhat less than that of the other two.

Four out of the six existing factories have retail shops for the disposal of edible offals, pork, sausages, &c., and sometimes bacon. This calls for added resources. It is interesting to note the same policy in Denmark. "The co-operative plants" says Christensen (*Agricultural Co-operation in Denmark*, p. 37) "operate their own retail shop uptown for disposal of by-products and some operate shops in larger towns, as well as distributing a large part of their sausages and meats direct to retailers in their respective membership territories." The older societies particularly the St. Edmundsbury Co-operative Bacon Factory, have a good general record of profitableness and exhibit a greater degree of stability than is usually associated with co-operative enterprise in this country.

Relations with Members: Supplies and Payments.—The total membership of the six societies works out at approximately 4,200, or 700 per society, whereas the 46 Danish societies had on the average, in 1922, 3,600 members each, the average number of pigs slaughtered annually being 40,305 per factory. Information is not available as to the number of pigs slaughtered per annum in each English factory, but the largest plant, namely, that at Elmswell, was up to the Danish average in numbers slaughtered. In England, as in Denmark, the factories are distributed through the pig-producing areas and are not centralised at the large markets as in the United States. Each factory draws its supply of pigs from a surrounding district which may extend over several counties. The members of the various factories do not appear to represent any considerable proportion of the pig-producers of the district, and it may happen that membership is not proportionately more numerous near the factory than at a distance. It may be observed, in this connection, that pigs are usually delivered to the factories by rail, the societies paying carriage.

The turnover per member of each of the three older societies, for the year 1923, works out at £250 in two cases and £180 in the other. The three new societies did not complete their first trading year until 1924, but figures available show a turnover per member of £250 in one case, and £93 and £73 respectively in the other two. These figures have no very direct significance owing to the non-membership supplies which pass through all the factories. While there is little doubt that the pig population of the areas

in which the societies work is, numerically, far more than adequate to their needs, it is not clear (1) how far the pig supply of the members constitutes of itself an adequate supply without outside purchase in the open market, or (2) how far members are attracted away at places where and seasons when the pork market affords a more remunerative outlet than the bacon factories, or by the inducements of competing concerns.

It should be observed, however, that supplies are mainly delivered by members, at will, although two of the newer enterprises, namely, the Lincolnshire Farmers' Co-operative Bacon Factory and the Kent, Surrey and Sussex Farmers' Bacon Factory, have differentiated between "ordinary" and "supplying" members. "Ordinary" members have the privilege of either forwarding their pigs to the factory or of disposing of them otherwise as they may desire, but, apart from interest on share-capital, they receive no supplementary payments by way of bonus or otherwise. "Supplying" members take up shares according to the number of pigs they pledge themselves to forward annually, and, subject to forwarding the agreed supplies, they participate in any profits available for distribution after payment of interest on share-capital. The other new society, the Oxfordshire Farmers' Co-operative Bacon Factory, in addition to the classes of members referred to, accepts "contracting members," who enter into a contract to supply a definite minimum number of pigs to the factory annually for a period of years, and are under a penalty by way of liquidated damages if they do not fulfil their contract. These members receive, in addition to interest on their share-capital, a larger proportion of available profits than the supplying members and, in addition, an allotment of founders' shares. It is stated that the contracted supplies of this society have been mainly instrumental in enabling the factory to work approximately to the limit of its capacity practically from the date it commenced operations. The method adopted by the Four Counties Bacon Factory to encourage contracts has been already referred to.

In the absence of any general system of contracts it is not perhaps, surprising that most societies complain of disloyalty on the part of members. The question of adequate and level supplies is peculiarly serious for a bacon factory owing to the heavy losses which may be incurred when plants are working below capacity and staffs are not fully employed. It is the importance of working as close as possible to capacity that compels societies frequently to enter the open market in order to obtain their supplies and so incur buying costs, which, though usual in non-co-operative concerns, should, in the nature of things, represent a saving in co-operative enterprises.

With regard to the method of purchase, it is usual to specify certain weights of carcase which it is desired to buy, and to

circulate to members weekly prices in advance. This may be illustrated by the following figures from a factory record :—

Bacon Pigs : Dead Weights.

Price-difference between each class 1s. per score : Class 1 ranking highest.

Class I.	7 score	0 lb. to	9 score	10 lb.
„ II.	9 „	11 „	10 „	10 „
„ III.	10 „	11 „	11 „	„

All pigs under or over above weights for bacon pigs, i.e., sows, boars and other pigs unsuitable for curing, paid for according to value or actual prices realised.

It will be noted that this is a weight classification and, in the main, weight differences are the only form of grading prevalent, but a factory may refuse to accept animals above a certain weight in order to safeguard the quality of its supplies. It has become usual to pay an additional bonus averaging about 1s. per score upon pigs in Class I which, when slaughtered, are adjudged as capable of producing first-grade sides of bacon. There is, therefore, a certain limited recognition of quality in English practice, but it falls short of Danish methods where both weight differentials and quality differentials are recognised and enforced.

The Danish system may be described here for comparison. In Denmark the co-operative bacon factories require that the slaughtered weight of all pigs delivered must be between 132 and 165 lb. to bring the top price. Progressive deductions are made for variations above and below this standard, which, it will be observed, is drawn within much narrower limits than is the case in this country. The deductions referred to are also more substantial than the 1s. difference between grades in English factories. This emphasis upon standard weight and quality helps to maintain regular supplies and steady quotations; it is responsible for the standardisation of product which is the greatest asset of the Danish factories on the English market.

A feature of the English system which should also be mentioned is that in order to obtain supplies, societies are compelled to pay market prices, i.e., the same as those offered by competing firms. This necessarily involves risk, and removes the safeguard which would be obtained either by payment to members on account, or by keeping the price paid slightly under the market level and making up the margin by a bonus on deliveries at the end of each period. The Linlithgow Committee (Cmd. 1927, page 98) remarked in this connection : “ In our view it is hopeless for so-called co-operative societies to attempt to work on the same lines as private firms as regards supplies and the method of payment to members. They may succeed on a rising market, but, in difficult times, the risk of failure is considerable.”

Management.—Owing to the limited number of bacon factories in this country, particularly of the size which farmers have adopted as a minimum economic unit, there is necessarily a difficulty in obtaining good managers with that wide knowledge of all phases of the business which is essential. In the early days, certain societies found it necessary to engage Danish managers, having regard to the high degree of factory efficiency for which Denmark is famous, but the majority of the English factories are now in charge of British managers.

The responsibility which devolves upon managers is necessarily great, and in consequence they are paid at a higher rate than is customary in other forms of co-operative marketing undertakings. The duties of managers are also onerous. They are required to organise supplies from members to suit the factory's capacity, and, consequently, to have a good knowledge of the psychology of the farmer, to regulate the factories in such a way that handling costs are reduced to a minimum, to supervise the manufacturing processes so that the factories can obtain and hold a reputation for a high-class article, to have a wide knowledge of the very sensitive bacon market and of the varied requirements of different parts of the country and, when supplies of raw material have to be supplemented by purchase in the open market, to be good judges of stock. They are, however, usually relieved of the duties of salesmanship to a very considerable extent, either by the use of the central selling agency already referred to (*see also* opposite page) or by the engagement of agents.

The societies are managed by committees representative of the areas served, general executive powers, in each case, being delegated to sub-committees. Owing, it may be, to the considerable amount of capital involved in their formation and to the far-reaching effect which their success might have on the pig-industry generally, the existing co-operative bacon factories appear to have attracted on to their committees of management some of the most progressive agriculturists in their areas. This may account for the fact that, on the whole, this group of societies has adopted a more enterprising policy than has distinguished other forms of co-operative effort. Evidence of this may be seen in several ways. The establishment of a central council for the interchange of views and experience, and the system of central selling adopted by certain of the societies suggest, for example, that societies realise that their future largely depends on a reasonable measure of unanimity. Then again, the management committee of the St. Edmundsbury factory, for example, has established an experimental farm where, under skilled direction, methods of breeding and feeding are carefully investigated from a practical standpoint and any results likely to be of value to members duly communicated to them. The society, in addition, conducts an annual show of pigs and bacon with the object of raising the standard of its supplies.

Another instance of the attention paid by the management to efficient production is that of the Four Counties Bacon Factory which, in collaboration with the Sparsholt Farm Institute, conducts similar experiments to those of the St. Edmundsbury society. As already noted, all the factories circularise their members from time to time and advise them on matters of breeding, feeding and pig-production generally.

Methods of Sale.—Societies have the same difficulties of sale as are experienced by competing firms. In the first instance, it may be said that the English market has to be made, in the sense that there is at present only a limited demand for the home-produced article. Moreover, the English market can only be developed by the displacement of highly-standardised imports of admitted quality. In this connection, a handicap over which the factories have at present little or no control is the poor standard of productive technique in "bacon-pig" rearing, such that one society had only 20 per cent. of its deliveries equal to first grade over a period of three years—a state of affairs which, however, is not peculiar to co-operative bacon factories but is common to English factories as a whole.

The usual method adopted by co-operative bacon factories seems to have been to work through agents for the sale of bacon, pork and offals direct to the retail trade, but, except for three factories—one of which effects its sales through a wholesale selling agency and disposes of a small quantity of produce through its own retail shops—sales are now effected through the English Farmers' Bacon Agency. The appearance of this organisation, implying, as it does, the principle of collective sale, is a favourable symptom. Its objects are said to be (1) the marketing of the produce of its constituent factories, and (2) the supply of information relating to prices, Danish killings, factory costings, and kindred subjects. It also undertakes the sale of pork and offals on behalf of its societies and is considering the collective purchase of factory requirements. Its shares are of the value of £100; membership is confined to registered farmers' co-operative bacon factories. Each society must remain a member for two years, but may afterwards resign on six months' notice. Each member-society must offer its whole output of bacon, less local sales, to the agency, a minimum quantity per week being fixed, with a proviso that a certain proportion must be high-grade produce. Each society pays a commission for this service to the agency, and is required to furnish the agency with a correct record of all sales each week. If all the co-operative bacon factories fall into line, the agency may become a factor of considerable importance in this branch of the movement. Inasmuch, however, as the agency at present finds its market in the wholesale trade, it seems unlikely to hold the factories as a whole unless it can develop retail outlets.

General.—Bringing together the main issues of this account:—

(1) it is clear that the question of contracts by members for supplies is vital and deserves examination;

(2) the policy of paying members cash for pigs at current market rates is unwise, and exposes societies to risks which could be avoided by a more conservative price policy ;

(3) the main competitors of these factories are the corresponding factories of Denmark ; this competition can only be met on equal terms by combining efficient and economical working with a high quality of output. It seems necessary, therefore, that the societies should direct their unremitting attention to the improvement of their raw material and should pay for the animals received on a basis of quality in such a way as to bring home to members the importance of supplying good bacon pigs.

CHAPTER X.—CO-OPERATIVE WOOL MARKETING.

(i) Development.

In 1905, a series of interviews was arranged by the Agricultural Organisation Society with firms engaged in the wool trade who expressed the opinion that improvements in the marketing of English wool were desirable and that English flockmasters might obtain better results in the sale of their clips by adopting co-operative methods. Home-grown wool does not, however, appear to have been dealt with on co-operative lines until the year 1912, and then only on a small scale by one organisation, namely, the West Flintshire Agricultural Co-operative Society. In the following year a further step was taken. Dominion and foreign wools, properly classified and graded and packed in bales, when sold by auction, in large consignments, on the London wool market induced keen competition among buyers and realised better prices than home-produced wools of a similar class which were packed in bulky sheets and sold direct to local buyers, or at local auctions or fairs, and were either imperfectly classified or, more frequently, not classified at all. A scheme was, in consequence, devised by which the farmers of any given neighbourhood could bring their wool to a central dépôt, where it would be graded (or "classed") by an expert grader (or "classer"), bulked with other wool of the same quality, and marketed in the most saleable form either in London or at a local market.

Two societies, in 1913, adopted this scheme—one, an old-established society for the supply of farmers' requisites, the Brandsby Agricultural Trading Association in Yorkshire and the other the Carnarvonshire Wool Society formed specially for the purpose. The sale of the Brandsby wool, 7,000 fleeces in 197 bales, representing the wool of 25 farmers, took place in July, 1913; this was the first consignment of English wool to be put up in a similar manner to the great bulk of foreign and Dominion wool, and to be sold on the London Wool Exchange. Forty-four members of the Carnarvonshire Society sent in 10,000 fleeces in 133 bales; these were sold in October, 1913, also in London.

The results of these experiments were encouraging, in spite of the small scale on which they were conducted. The Brandsby Society repeated the test in 1914. The Carnarvonshire Wool Society also sold small quantities of wool on the London market in that year, but, although it remained in existence until 1922, it does not appear to have again offered its clip at the London auctions. Further trials were prevented by the war. There were difficulties, in any event; not the least was the credit problem.

As farmers were accustomed to borrow money on the security of their wool from local agents and wool buyers, a co-operative scheme which could not give the same accommodation had little or no prospect of success.

During the war period, a feature of the government scheme for requisitioning the wool clips of 1916, 1917 and 1918 was that all wool merchants of good standing were appointed authorised agents for the collection of wool from those farmers whose clips they had previously handled. The restrictions imposed on the sale of wool to other than authorised agents, and the restriction on export, made new departures in co-operative wool marketing impossible. The difficulties of labour, transport and warehousing were further obstacles to organisation during the war period.

Progress was never really feasible until the termination of the war, and then only in time for the 1920 clip. During 1919 and the earlier months of 1920, the Agricultural Organisation Society undertook active propaganda to stimulate interest in the co-operative marketing of classified and graded wools, as a result of which one society, the Kent Wool Growers, was formed for the sole purpose of marketing wool and fifteen of the then existing general trading societies set up departments for the same purpose. At that time, it was anticipated that all wool collected by them would be offered at the London wool auctions in 1920. The scheme to be adopted by these societies was to collect and class fleeces at their local depôts and to arrange with the Agricultural Wholesale Society for them to be auctioned on a 10 per cent. sample by a firm of wool brokers in London.

Before the scheme actually came into operation the prospects of a steeply falling market made it obvious that little or no advantage would be gained by consigning to the London market, and certain societies were advised to sell their wool locally and to sell instantly. A few acted upon this advice; others unfortunately backed their own judgment and held on to their clips, being ultimately compelled to sell at a considerable loss. Six societies, including Kent Wool Growers, actually sold their wool at the London auctions; the remaining ten marketed their wool locally. After this unfortunate experience of wool prices, most of the societies dropped wool as a feature of their general business.

So far as the London market is concerned, the Kent Wool Growers, which has achieved a considerable measure of success, has continued to market wool at the London auctions each year since the 1920 experiment; the Ryeland Wool Growers, which was formed in 1922, has sold consignments on the London market for the last three years; the Southdown Wool Growers was formed and sent its first consignment to London in 1924. These three societies, which are the only societies in England, devoted exclusively to the co-operative marketing of wool, each being closely connected with a breed society, marketed between them, on the London market, nearly 200,000 fleeces of the 1924 clip.

In view of the interest now being taken in the possibilities of the co-operative marketing of home-grown wool at the London auctions, the following statement has been prepared showing the growth of the practice since 1920, and the results obtained :—

Statement showing the Societies which Marketed Wool at London Auctions in the Years, 1920 to 1924 inclusive and the Results Obtained.

Year.	Societies.	Value.
		£
1920	The Kent Wool Growers, The Dorset Farmers, Eastern Counties Farmers' Co-operative Assn., Worcester Farmers, Monmouth Agricultural Co-operative Society, Shropshire Farmers.	36,635
1921	Kent Wool Growers, West Hereford and Radnor Farmers, Durham County Farmers' Association.	1,190
1922	Kent Wool Growers, West Hereford and Radnor Farmers, Ryeland Wool Growers.	28,994
1923	Kent Wool Growers, Ryeland Wool Growers	32,117
1924	Kent Wool Growers, Ryeland Wool Growers, Southdown Wool Growers.	128,356

Apart from Kent Wool Growers and Ryeland Wool Growers, at least ten societies engaged in general agricultural trade dealt in wool as a subordinate part of their business in the year 1923*. Included among these ten are three of the sixteen societies which took up the trade in 1920. Particulars in respect of the year 1924 are given in Table XVIII, p. 194, of the membership, capital, and turnover of the three societies marketing wool exclusively. Table XIX, p. 195, shows such information as is available regarding the number of fleeces handled by the general trading societies referred to during the year 1923. It is impossible to disentangle the wool-trading portion of the work of these societies from their general trade and the figures of wool turnover per member, &c., would in consequence have no significance.

(ii) Example of a Wool-Marketing Society.

THE KENT WOOL GROWERS.

This society was formed in 1920 by a small group of prominent Kent sheep breeders. Its origin may be traced to the following circumstances. About fifteen years ago, wool auctions were started in the county. These first brought home to farmers the fact that the prices paid by the staplers and dealers who, for a

* A few other societies deal in wool to an insignificant extent.

long period, had been accustomed to purchase practically all the wool of the famous Kent or Romney Marsh sheep, could, in general be improved upon. This was particularly the case with lamb's wool and "locks" which had always borne a more or less fixed ratio to that of fleece wool and, according to the growers, a ratio which was far too low. Moreover, sales by auction demonstrated that the best growths made the best prices and that those containing a large proportion of teg or yearling wool made more than average figures.

The requisitioning by the Government of the wool clip in 1916, 1917 and 1918, stopped these auctions, but in 1920, the group of breeders referred to determined to carry out the collective classification and grading of their wool, and, further, to arrange for its sale direct on the London market. The aid of the Agricultural Organisation Society was sought and a society formed that year with 75 members holding 611 shares of £1 each. The society handled 25,000 fleeces as its first clip. To enable the society to make advance payments, certain members of the committee guaranteed as much as £30,000 between them at the commencement of operations. The results of the first years' trading were far from encouraging, the formation of the society having coincided with the rapidly falling market to which reference has been made which seriously affected all growers. The promoters persevered, however, in the belief that the system was correct, even if the moment had not been propitious.

Collecting Centre.—It was decided that Ashford would be the most suitable collecting centre. Six army huts, each about 90 feet by 15 feet, were purchased *in situ* for £450; of these, one was a concrete building, the other five being of the usual wooden type with felt roofing. Five more have since been purchased and erected adjacent to the others, making eleven in all with accommodation for 120,000 fleeces. It is proposed to erect a further two or three huts in time for next season's clip; these will enable the society to deal with 150,000 fleeces. The land on which the society's office and buildings stand is held on lease, £150 having been paid as compensation to the landlords. The plant is simple and consists mainly of a number of fixed wooden bins for containing the wool, scales for weighing, and an Australian wool press. These, together with furniture and fittings are valued at £820, which, added to the present valuation of the society's buildings, gives total capital assets of £1,279. Apart from the manager and grader, the staff employed are unskilled and number from ten to twelve men during the receiving months, *i.e.*, from June to September. The manager is the only full-time employee.

Preliminary Classification of Clip by Producer.—Shortly before the shearing season, the society forwards to each member the following form and slip which, on completion and return of the former, is followed by the despatch of the necessary bags and sheets to the grower concerned :

Dear Sirs,

I beg to inform you that I wish to sell my wool this year on the co-operative system through the Society.

I expect to have a total of about _____ fleeces, as follows:—

KENT

HALF BREED

LAMBS

My wool will be (washed)
(unwashed).

I am likely to deliver my growth on following dates:—

Empty sheets should be consigned to following railway station or carrier as soon as possible:—

Signed

Address

Date _____

N.B.—It is necessary to notify the manager two or three days before sending your wool. As expenses are largely increased by the congested arrival of wool without previous notice, it would be of great assistance if producers could give two or three alternative days on which they could deliver their wool.

All empty sheets are sent carriage paid.

Please Retain this Slip.

If in packing you would be kind enough to follow these instructions you will save your staff extra labour and therefore yourselves the money spent on that labour.

1. Always keep ewes and tegs separate.
2. Never mix locks, lambs' wool and dead wool.
3. Keep black lamb's wool separate from white.
4. Carefully fill in particulars of contents of sheets on label attached.

The above form and slip are reproduced here because they illustrate the procedure which the society has found it convenient to adopt with regard to the preliminary classification and collection of supplies.

The farmer is required to shear his sheep properly, and, if possible, on a clean-boarded floor to prevent grass, chaff or loose dirt getting into the fleece. If a boarded floor is not available, a sheet or tarpaulin is to be used. The farmer is also required to look carefully over each fleece and to break away any dung-locks. The fleece must then be rolled up, tied with a piece of itself (not with string or twine) and placed in the sheet which the society has sent for the purpose. The sweepings of the shearing-board, dung-locks and any clippings, must be placed in the bag provided. Where the farmer has more than one distinct breed of sheep, he is required to shear each breed separately and, as the form shows, to apply for a set of sheets and bags for each breed. He is also required to keep and pack separately the wool of tegs (i.e., sheep which have not previously been shorn), ewes and lambs, and any black or cotted fleeces.

Rams' fleeces are to be put in the sheet with ewes' wool, except, of course, in the case of a ram-breeder whose consignment is to be labelled as such. Differently coloured labels are supplied for washed and unwashed wool respectively.

The farmers' clip, may thus be divided in the following lots :—

- (a) Fleeces (flock ewes).
- (b) Fleeces (hogs or tegs).
- (c) Dung-locks and sweepings.
- (d) Blacks and cots.
- (e) Lambs' wool (if any).

The society pays railway carriage and any other charges incurred after the wool is placed on rail. Members within ten miles radius of the collecting centre who deliver their wool by road bear expenses of delivery. Carriage on wool sold is paid by the purchasers.

Classification and Grading by the Society.—Wool commences to arrive at the depôt early in June and comes in up to the early part of September; consignments fall away towards the end of the season. Each sheet or bag received bears a label, as under, filled in by the consignor.

Breed	Fleeces.
Flock Ewe	Hog
Locks	Teg
Blacks	Cots
	Lambs' Wool.
	WASHED WOOL.

Strike out words not required.

From

Each consignment is checked and weighed and a receipt sent to the member concerned.

When approximately 5,000 fleeces have been received at the depôt, a Bradford-trained expert grader is called in who proceeds to classify and grade the wool. The society has employed the same grader since its commencement and has received no complaints. Indeed, it is noteworthy that whereas the society, in 1920 and 1921, auctioned its wool on the usual 10 per cent. sample, a 5 per cent. sample has since proved sufficient for its buyers.

In the case of each consignment, the grader proceeds by throwing into broad lines the fleeces sent in. With the manager, he then carefully weighs the fleeces in each class; the weight of each grade should tally with the original weight of the consignment. The farmer concerned is then credited with the weights of his wool in each class and receives the following form duly completed.

No. _____	Grading Slip.	Date _____	192 .
Name _____			
Address _____			
Breed _____	Washed _____	Greasy _____	
Both _____	No. of Fleeces Vendor's Count _____		
Grade.		Cwt.	qrs. lbs.
		Total	

Any farmer may, of course, attend when his own clip is being handled.

The whole of the wool is thus divided into three, four or more classes which are repacked into bales according to class and become the society's wool, bearing its brand and label. Members' fleeces are never opened or unrolled unless the grader has reason to believe that a member has not sent in his fleeces in the approved manner. The wool is not sorted, which involves the breaking of a fleece, but only classed.

Advance Payments to Members.—As the wool is necessarily held at the depôt for varying periods for purposes of grading and to await a favourable market, it is essential to make provision to enable members to receive an advance on the wool they have supplied. It has been the custom for the society to pay about two-thirds of the estimated market price for the various wools; no advance is made on locks. The proportion thus advanced is determined by the management committee and is based upon current market price and the prospects of the season. These interim advances are provided by the bank on the security of the wool itself, but in the early weeks of each season, before the society's warehouses are filled, the bank advances have to be backed by the personal guarantee of a few members of the management committee. This guarantee is for a considerable sum. The advance payment is made to the member within seven days of his wool being received by the society, a cheque and the receiving-slip being forwarded to him at the same time. It follows that the finance of co-operative wool marketing has certain special features, chief among which is the seasonal demand for capital for a comparatively short period each year. It is clearly short-term money that is required by such co-operative undertakings rather than any permanent increase in working-capital. Indeed, the subscription of share-capital is, in practice, discouraged owing to the difficulty of utilising it to advantage during the close months of the year. By way of illustration, it may be mentioned that wool of the realised gross sales value of £75,000 was disposed of by the society in 1924, and had to be wholly financed, over a period of from four to six months, by means of the personal guarantee referred to and by bank advances against stocks, the society's subscribed and paid up capital being little over £1,800.

Sales.—When the wool has been classed and baled and the sheets stencilled with the grade, quality and the “K.W.G.” brand, a 5 per cent. sample of each grade is forwarded to London where it stands on the wool floor at the London Docks and is sold by London brokers at the Coleman Street Exchange. It does not follow that when wool is offered it is necessarily sold, as, if the highest prices bid do not reach the reserve limit fixed by the committee beforehand, it is withdrawn and offered at some future time. These sales, which commence in September, are held approximately each month throughout the winter. When sales are effected of so many bales at so much per lb., the society forwards to the broker the weights of the number of bales disposed of. The broker collects the money and remits to the society, forwarding cash on account as and when sales are made to enable the society to reduce bank charges. The net proceeds of the sale of each grade are apportioned at the end of the season amongst the growers according to the quantities of each grade received from them. The advance payment already made is deducted, and the balance, together with 5 per cent. per annum on their respective shareholdings less expenses, paid over to them with the following statement, thus completing the transactions :—

No. _____	<i>Sale Statement.</i>	Date	192 .
Name _____			
Address _____			
Grade, Net Weight	Price	£ s. d.	
lb.	d. per lb. - - - -		
	Total - - - -		
Expenses at	per lb. - - - -		
Total			
Add Interest 5 %	- - - -		
Total			
Less Advance (if any)	- - - -		
Cheque to Balance	- - - -		

The following Table shows the highest, lowest and average prices in pence per lb. realised by the society for the various classes of wool sold in 1924.

	Washed.				Greasy.				
	Kent Ewes.	Kent Tegs.	Half Breeds.	South-downs.	Kent Ewes.	Kent Tegs.	Half Breeds.	Lambs' Wool.	Locks.
Highest - -	31	27½	30½	—	22½	25	—	27	—
Lowest - -	20½	21	29	—	17½	20½	—	23	—
Average - -	22½	25½	29½	34	19½	21½	23½	23½	14½

The progress of the society is shown by the diagram on the following page; it is important to note that as the wool handled has increased in quantity, the handling costs per lb. have been appreciably reduced.









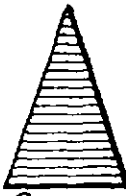
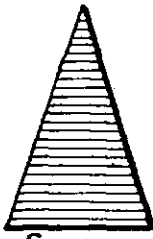









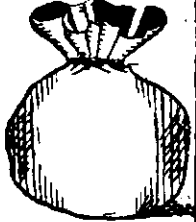




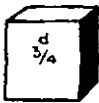
Advantage to Producers.—With the experience of five seasons' sales, the committee are of opinion that, by placing English wool on the open market in an organised way (1) every member of such organisation receives full value for his wool according to quality; (2) all members receive better prices per lb. for *all* their wool, owing to the advantage of having it classed and graded by an expert working in their interest; (3) total sale charges are below those generally incurred by selling at local auctions, where, in addition, competition is less keen than on the more open market; (4) the system of classifying and grading has encouraged growers to improve both their fleeces and shearing methods, and (5) the smallest growers are able to participate and their few fleeces return them the same price, quality for quality, as those of the larger flock-masters.

The operations of the society appear to have had a steadying effect on local wool prices, and to have prevented the forced sale of wool immediately after shearing as was practically inevitable under the old system. It should be remembered also that there are so many local markets that it is now almost impossible for wool buyers to attend each individual sale, and, in any event, the small and mixed lots offered are frequently of little use to them. *Prima facie*, therefore, the marketing of wool under co-operative arrangements should result in a better price being obtained when sold direct on the London market where buyers from the principal wool-using centres of the world are in competition.

(iii) Business Aspects of Co-operative Wool Marketing.

Marketing Services.—There appear to be three methods adopted by societies for disposing of their members' wool. The first is when the society acts as an agent for members, collects and classes their wool and arranges for the auction of the bulked quantity on the London market, advancing to the member up to 50 or 75 per cent. of the estimated value, and distributing any balance at the close of the season less the marketing expenses incurred. This method is, at present, adopted by the three societies dealing exclusively in wool, namely, Kent Wool Growers, Ryeland Wool Growers and the Southdown Wool Society. The second method is when a society acts as an agent on behalf of merchants for local buying. The society ascertains the value of members' clips by taking round wool-buyers, and buys direct from members at the agreed price; the society receives the wool at its depôt, where it is bulked and despatched to buyers' orders, the buyers paying the society a small over-riding commission for its services. The society bears no merchanting risk; the growers receive their money promptly and in full, sometimes at time of

— KENT WOOL GROWERS LTD. —

1920	1921	1922	1923	1924
<p><u>MEMBERS</u></p>  <p>75</p>	 <p>101</p>	 <p>165</p>	 <p>407</p>	 <p>504</p>
<p><u>CAPITAL</u></p>  <p>£.611</p>	 <p>£688</p>	 <p>£894</p>	 <p>£1,517</p>	 <p>£1,764</p>
<p><u>FLEECES</u></p>  <p>25,000</p>	 <p>25,000</p>	 <p>45,000</p>	 <p>95,000</p>	 <p>110,000</p>
<p><u>NETT SALES VALUE</u></p>  <p>£12,500</p>	 <p>£8,500</p>	 <p>£16,501</p>	 <p>£51,617</p>	 <p>£74,418</p>
<p><u>OVERHEAD CHARGES PER LB.</u></p>				
 <p>1 3/4</p>	 <p>1 1/2</p>	 <p>1 1/4</p>	 <p>1</p>	 <p>3/4</p>

sale and sometimes on receipt of the bulked wool at the mill or terminal market. A number of general trading societies are known to adopt this method with minor variations; included among these societies are South Shropshire Farmers' Association, with which the West Hereford and Radnor Farmers' Society acts in conjunction, the Bransby Agricultural Trading Association, Staffordshire Farmers, and the North Devon Farmers. The first of these societies handled as many as 200,000 fleeces in this way during 1921, 1922 and 1923. The third method which some societies adopted at one time, but is now only attempted by a few societies which handle very small quantities of wool in the course of their general business, is that of purchase outright from members at approximately market rates and resale to best advantage, a merchanting risk being accepted. It will be observed that any profits on wool-trading which accrue to general trading societies adopting the second and third methods referred to are merged in the profits of the businesses as a whole and are not returned exclusively to the wool growers concerned. In practice these societies usually buy to some extent from non-members as well as members.

The last method, namely that of purchase outright from growers on a merchanting basis calls for no comment. The principal advantages of the second method appear to be that individual growers are safeguarded against parting with their wool, at less than local market rates, while the financial standing of the buyer is better secured from their standpoint. The method does not, however, do more than secure some of the advantages of collective bargaining.

The first method, namely that of agency on behalf of members, involves a form of organisation which is typical in the United States and in certain other countries, except that, as worked in this country, it lacks the basic characteristic of membership contract. The following outline may be taken as a general description of the procedure of the three societies constituting this group. For short distances up to 10 miles, members are required to deliver their wool to the depôt; over this limit and up to 50 miles the society pays carriage; over 50 miles the consignor pays carriage for the additional distance. In one case, however, the society pays carriage up to 100 miles and makes an allowance to all members who convey wool to the depôt irrespective of distance. The wool is sold on a 10 per cent. sample in London—in one case 5 per cent. is accepted—and the society pays freightage to London on this sample quantity. The usual brokerage commission is paid on the total quantity sold. The freightage on the balance is paid by the buyer from the depôt to the destination. The services of an expert grader are obtained either from Bradford or from the London broker, or the society may engage a qualified local man. Packing is done by unskilled labour; the grader and packers may be required for periods which vary with the character of the season and with the amount of wool which the society is handling. The actual destination of the

wool after the London auction cannot be exactly ascertained, but most of it is said to go into the home trade, although records show consignments to the United States and to Germany. In the preceding section of this Report, details have been given of the working arrangements of one of the three societies in this group, namely Kent Wool Growers.

Capitalisation and Finance.—As will be seen from Table XVIII, p. 194, the share capital per member varies from £3 to £6. Shares are of the value of £1 and every member must hold at least one share fully paid.

The capital requirements of these societies, apart from working capital are small, being mainly confined to the provision of warehouse accommodation and wool sheets, and the moderate amount of capital per member referred to above appears to be quite sufficient. No loans are recorded. Overdrafts on personal guarantee appear to be necessary, in existing circumstances, to enable societies to make immediate cash advances to members in the early weeks of each season. Subsequently when fleeces have been classed and stored, bank advances are apparently arranged without difficulty on the security of the wool. The personal guarantees that are thus required may be substantial. At present, they are furnished by a few individuals. It would appear desirable that societies should either spread the liability which these guarantees involve over the whole of their members, or should endeavour to devise some arrangement by which the wool can be accepted as collateral security for bank advances at and from the time it is received. Since a common method of financing advance crop payments to individual growers in the United States is by means of warehouse receipts, it is noteworthy that no parallel development is attempted here.

Relations with Members; Supplies and Payments.—Societies marketing wool appear to recruit their membership further afield than most other co-operative marketing organisations. Members may live upwards of 50 miles from the society's headquarters. The Ryeland Wool Growers, for example, receives its wool from members in Hereford and six neighbouring counties. The South Shropshire Farmers' markets wool produced in Shropshire, Hereford, Worcester, Montgomery, Radnor, Brecon, Carmarthen, Pembroke and some from Oxfordshire. It is obvious that the societies represent, as yet, no substantial proportion of the sheep farmers of the areas in which they work, but the districts are wide and it would appear to be possible for societies to operate on an economic basis even if their membership is somewhat dispersed.

Societies have not required their members to enter into contracts to deliver their fleeces over a period of years, and this might result in a shortage of supplies if a preceding year had not shown good returns. In the case of the three societies which handle wool exclusively and class and bulk the fleeces received, it is obvious that a sufficient supply is necessary if they are to operate at an economic rate per lb. of wool handled. Reference

has already been made, in describing the operations of the Kent Wool Growers, to the reduction in handling costs which results from increased supplies.

With regard to payment for fleeces sent in, the methods adopted by the general-purpose societies have already been referred to. The three societies that sell on the London market pay from 50 per cent. to 75 per cent. of the estimated value of the wool, within 7 days of its receipt at the depôt, and pay the balance, less expenses, when sales are concluded, which may be after 4 to 8 months. Members, therefore, receive the price realised less actual cost incurred. One of the societies records a loss for 1923, but this was comparatively small. It is true also that one general-purpose society consigning to London was caught by a falling market in 1920, and as a result, acquired a strong prejudice against the system of advances. It is, however, within the power of societies to reduce this risk to a minimum by adopting a conservative price policy towards members and providing an adequate margin of safety on advances made. Alternatively, if societies make a practice of working to a close margin, it would be prudent for them to build up contingency reserves.

Management.—Societies marketing wool are engaged in a strictly seasonal trade. If societies are sufficiently large, a manager can be usefully employed throughout the year. The manager, in one case, is also secretary of the breed society to which his organisation is allied. Committees of management carry a considerable measure of responsibility in deciding the proportion to be advanced each season on estimated values and the amount of sale. In this matter, however, they act largely on the advice of their London broker.

General.—It is of interest to note the grounds upon which the form of society which markets wool exclusively is at present being advocated in this country. The following points are taken from a recent prospectus: (1) the view is expressed that Australasian experience is in favour of co-operative marketing; (2) at a large market, such as London, graded wool in bulk attracts the big buyers and fetches better prices than wool sold locally by private treaty or at district auctions; (3) a society can regulate the flow of supply if it is large enough to employ experts in price trends; (4) the profits of the middleman will become the basis of the society's economies; (5) the society gives a fair payment on quality and does not grade down for safety; (6) the co-operative method is cheaper and more suitable to producer control than the joint stock company; (7) the society's expenses will be confined to the purchase of wool sheets, railway freightage, warehousing, insurance, grading, brokerage, clerical and organising services; (8) the society also hopes to produce favourable reactions upon production since members will, it is thought, accept advice as unbiassed from their own organisation which they

might resent from any outside dealer however able and experienced he may be.

Sufficient experience is not available to assess the value of the new group of societies to which the above prospectus applies, but it appears unfortunate that, while adopting careful methods of membership payment, they have not at the same time made an effort to consolidate their position by the introduction of a contract which would have ensured continuity of supplies over a term of years. It must be admitted, however, that if a society satisfies its members year by year, contracts have probably less significance in this form of co-operative wool marketing than in other forms of co-operative organisation. It must also be noted that wool societies may be limited in their expansion by the conditions of production; a wool society in order to collect wool of the same type may tend to follow Flock Books for its membership rather than localities, and a large variety of cross-bred sheep in a small area would render the whole method more complicated and less effective. Another difficulty is that while, on the one hand, any attempt at completeness of classes and grades would result in hundreds of classes and grades, as in the case of Australia and New Zealand; on the other hand, sale at a central auction necessitates a sufficient bulk of each class to make the transactions worth while.

In conclusion, it may be said that the new group of wool societies are notable in that they embody certain features not commonly found in British co-operative undertakings, but deemed important in the experience of other countries, such as the United States. If judged purely upon their membership and turnover, they represent an unimportant part of the total British wool output, but, viewed as experimental enterprises, they appear to be pursuing policies with considerable possibilities of successful expansion.

CHAPTER XI.—THE CO-OPERATIVE MARKETING OF GRAIN, FODDER, SEEDS AND POTATOES.

Prior to 1905, little appears to have been attempted in the way of the co-operative marketing of such commodities as grain, hay and seeds, although there were notable exceptions, among which may be mentioned the Cheshire, Shropshire and North Wales Farmers' Supply Association, which was formed in 1871 and made this a feature of their business. In that year, the Eastern Counties Farmers' Co-operative Association made successful experiments. It undertook the sale of clover, trefoil, trifolium and other seeds of the same class on Mark Lane, and to wholesale seed merchants, and estimated the advantage to its members at 5s. to 6s. per bushel. Wheat, barley, oats, peas, beans, hay and straw were also disposed of, and top prices obtained.

In 1907 the Winchester Agricultural Trading Society commenced operations on Mark Lane; in the following year, the Midland Farmers' Co-operative Association and the Newport Agricultural Co-operative Trading Society also undertook the sale of their members' grain. Indeed, the view seems then to have been gaining ground that since the country traders, in return for the sale of fertilisers and feeding-stuffs, made it their business to receive produce from their clients, societies engaged in the trade in farmers' requirements would make little headway unless they conformed, to a greater or less extent, to the same practice. Accordingly, the number of societies which extended their activities in this way steadily increased. Moreover, it was held to be an advantage to a farmer, who only sold hay or grain once a year, to be able to dispose of it through a society which had the merchant's knowledge of the market and, further, would use that knowledge in the member's interest.

During the war, the number of societies dealing mainly in farmers' requisites which handled grain, hay and seeds, notably grain, steadily increased, and although up to the present no societies have been formed in England and Wales having for their sole object the marketing of any or all of these commodities, it would appear that most of the trading societies concerned have considerably developed this side of their business in recent years. Of the societies, numbering nearly 200, which exist primarily to supply their members with agricultural requisites, more than a half market produce at the present time and, of these, nearly all deal in grain. The number of societies which handle fodder to any appreciable extent number under 30, while, so far as can be ascertained, rather fewer societies deal in their members' seeds or other locally produced seeds.

No figures are available as to the total quantity of grain, fodder, seeds, &c., handled annually by farmers' societies. As, however, the marketing of grain is an integral part of the trade of

societies which exist primarily to supply farmers with requisites, the subject will be dealt with more fully in a Report which is in course of preparation relating to the operations of these societies as a whole.

(i) **Grain.**

Dealings in grain may take the form of

- (a) purchase outright from members and non-members, including other agricultural co-operative societies, for use in the preparation of meals, or for resale.
- (b) sale, in bulk or by sample, on commission.

(a) When purchasing grain outright for use in the preparation of meals, societies in most cases are frankly buyers in the cheapest market. When resale is intended, the deal may be expected to be of benefit to the producer as well as to the society, in accordance with the ability and enterprise of the management, but, even so, such purchases are not restricted to members' produce and are frequently undertaken as a ready method of obtaining payment for requisites supplied.

There is little to distinguish such trading from the trading of agricultural merchants, and it is so regarded by society and member alike. In a report on the produce dealings of one society it is remarked that "the members treat the society as an ordinary trading concern, not as a co-operative society of which they are members, while purchases by the society are treated as ordinary purchases in the way of business." Considerable quantities of grain are dealt with annually in this way. One society (Yorkshire Farmers) has in the past three years handled

in 1922	-	-	63,920	quarters of grain.
in 1923	-	-	84,240	" "
in 1924	-	-	83,363	" "

(b) Sale on commission is practised by societies of all types and sizes, and it is common to find societies employing both methods, that is to say, in addition to buying on the open market as favourable opportunity occurs, they are prepared to make an offer for their members' grain, or to sell it on commission as members may prefer.

Origin.—Whatever may be the system of purchase or sale, there is no compulsion on the producer to sell all or any of his grain to or through the society, and few, if any, cases exist of bulking or grading being attempted by a society. This dealing in grain is not co-operative in origin, but may be attributed to three causes. To one of these reference has already been made. It is traditional on the part of the farmers to expect their merchant to take their grain, and is part of the credit system of the country. The maintenance of this tradition by co-operative societies might have been expected even had they not, in a number of cases, taken over established merchant businesses. A sidelight on the second cause is thrown by a statement made by

one society that "the local millers and grinders try to impose the condition that farmers who grind with them must also buy meals from them." This tendency is not universal, but it is only to be expected that the purchase of grain in the open market, or from members, should be a natural development for a society dealing largely in meals. At present, some 57 societies have milling or grinding plant and a further 13 are contemplating its acquisition. One society, the Sherston Co-operative Milling Society, exists solely to mill and market members' corn, there being a considerable amount of pig-feeding in the district; all enquiries for other requisites are passed on by this society to the Co-operative Wholesale Society. The third cause may be found in the need to increase trade. An enterprising manager seeking fresh trade outlets to develop, in order to reduce his management and overhead charges to reasonable percentages of his turnover, looks naturally to the corn-market, which is the focus of agricultural trade.

Markets.—Among the smaller societies the ability of the management to market grain to advantage may possibly be little greater than that of individual members, who profit mainly in the time saved. Among the larger societies, however, the scale on which they operate is sufficiently large to justify the employment of managers who are recognised experts in the trade. A representative of the Oxfordshire Farmers regularly takes samples of members' grain to London for sale on commission. The Lincolnshire Farmers' Association is developing its corn trade and has recently taken a stand in the Manchester market. The Northamptonshire Farmers attend the Mark Lane and Birmingham as well as the local markets. The Eastern Counties Farmers attend local markets and Mark Lane, and also visit certain continental markets. Representatives of the Yorkshire Farmers attend weekly markets at London, Leeds, Northallerton, Manchester and York. On Mark Lane, the Yorkshire Farmers have a stand which is also used by the Eastern Counties, Southern Counties, Saffron Walden, Oxfordshire Farmers and other societies; representatives of the agricultural co-operative movement are to be found there whenever the market is open. Considerable intertrading in grain already exists between societies, and with the Co-operative Wholesale Society, whose mills provide the chief market for a number of agricultural co-operative undertakings engaged in this trade. Indeed, intertrading between farmers' societies in grain-exporting areas and those in importing areas has now attained considerable proportions. The Preston and District Farmers' Trading Society, for example, is a large buyer of wheat and oats for feeding purposes, taking in the course of a year approximately 2,600 tons of wheat and 2,000 tons of oats, and is a good customer for societies with surplus grain to dispose of.* Considerable quantities of feed-corn are retailed by societies from their own depôts or shops, particularly so in

* Linlithgow Report on Cereals, Flour, and Bread, Cmd. 1971, page 31.

industrial areas where there is a ready sale for the corn, seeds, &c., required by small producers. In some cases, a wholesale trade is carried on with organised bodies of allotment holders.

An interesting development has occurred in the case of the Chepstow Farmers' Association and the Maelor Agricultural Co-operative Society, both of which societies run a bakery and retail shop. The Chepstow society took over the business from a member who was in the society's debt, and are rapidly writing off the capital valuation out of profits. The balance sheets of the society do not, however, indicate to what extent these profits arise from the bakery itself.

(ii) Fodder and Seeds.

A trade in fodder is effected both between societies and between members within societies, but the extent both of this and of the outside trade is difficult to estimate. By way of example, it may be mentioned that the South West Lancashire Farmers sold members' hay and straw to the value of £2,570 in 1923, mainly to milk producers, and to provender dealers in large towns for making "chop-feed" for horses. Several societies supply fodder to the Government on contract. Fodder is usually bought outright by societies, but some sell on commission.

Of the comparatively few societies that buy or sell locally-grown seeds the Eastern Counties Farmers' Co-operative Association is notable in that it has its own plant-breeding station and maintains one of the largest seed-cleaning establishments in Great Britain. This society handles very large quantities of clover-seed and seed-corn, the greater part of which it purchases outright. The Lincolnshire Farmers, Northamptonshire Farmers and East Essex Farmers among other societies do a fair trade in seeds.

(iii) Potatoes.

Most general trading societies in potato-growing areas handle potatoes on behalf of their members, which they either buy outright for resale or sell on commission. Much of this trade, like that in cereals, is casual, and only one or two societies appear to make a wholesale trade in potatoes a leading feature of their business. One such society is the South West Lancashire Farmers Association, which, in 1923, sold farmers' potatoes to the value of over £13,000, and its trade is increasing. The greater part of its trade is in early potatoes.

This aspect of the work of general trading societies will be discussed in further detail in the Report which is in course of preparation dealing with the operation of these societies generally.

CHAPTER XII.—FEDERATION FOR TRADING PURPOSES.

The federation of societies for trading purposes has always been in the minds of those interested in agricultural co-operation, but in practice very little progress has been made. The history of the subject in this country is of some interest.

In 1904, a non-trading advisory business department was formed by the Agricultural Organisation Society for the purpose of assisting societies to buy and sell advantageously. Its activities appear to have been mainly directed to negotiations with manufacturers of feeding-stuffs and fertilisers and with seed-merchants. With the more difficult task of opening up channels for the sale of produce, little headway was made. In the following year a central trading body, namely, the Agricultural Co-operative Federation, was established. This undertaking was capitalised by the federated societies, which numbered 53 at the end of the first year. Any profits made, after payment of expenses, were to go back to the federated societies in the form of a bonus on their trade. It was hoped that the Federation would develop into a national organisation, but from the first the larger societies refused their support, and although a fair number of the smaller societies adhered to it, the support they gave was insufficient to place the Federation on a sound financial basis, and it expired in 1909. Its operations were mainly concerned with the trade in farmers' requirements; it was never an important factor in the disposal of produce.

An alternative scheme of regional federation was then devised. The country was divided into districts, and it was left to the societies in each district to decide whether the strongest society should itself act as a district trading centre, or whether a separate district trading federation should be formed and registered. It was contemplated that ultimately, when the time was ripe, the district federations should form a central board as a channel for the exchange of information and to facilitate combined action. This scheme was adopted in various parts of the country. The Eastern Counties Farmers' Co-operative Association, for example, formed an unregistered federation at Ipswich. The Clophill Agricultural Co-operative Society changed its name to the South Midlands Agricultural Co-operative Society, and removed its headquarters to Bedford. Three societies in Gloucestershire were amalgamated to form the West Midland Farmers' Association, while the Winchester Agricultural Trading Society undertook to act as a trading centre for the Southern Counties and changed its name to the Southern Counties Agricultural Trading Society. About the same time, and in order to make the work of the Agricultural Organisation Society more effective and representative, a parallel scheme of devolution was decided upon by which non-trading sections of the parent society were formed in selected

areas. Three sections were formed forthwith, namely (1) The North-Eastern Counties, (2) The North Wales, and (3) the Southern Counties, and others followed. It was intended that each section, with its special knowledge of local conditions, should (1) be responsible for promoting co-operative development in its own area, (2) endeavour to eliminate overlapping and competition between societies, and (3) by linking up with local administrative bodies and agricultural training centres, seek to consolidate and strengthen the movement generally. This group formation of district federations and sections, though perhaps theoretically sound, appears, however, to have had little permanent influence in developing the federal idea.

In 1912, the question of the federation of societies for trading purposes was revived, apparently by the societies themselves, and a Farmers' Central Trading Board established. One of the problems to which it was to devote its attention was the possibility of co-operation between societies in the disposal of produce. Two years later the Board was registered under the Industrial and Provident Societies Acts. Although there was room for the Board to plan an effective part in facilitating the operations of co-operative marketing societies, it appears from the beginning to have confined its activities mainly to the negotiation of bulk purchases on behalf of societies dealing in farmers' requisites. Moreover, it was seriously hampered by lack of capital and by the indifferent attitude of most of its affiliated societies. Nevertheless, it made some progress.

In 1918, a stronger and better financed wholesale trading body was thought to be desirable. A committee was appointed by the Agricultural Organisation Society to consider the question, and reported in favour of making the Farmers' Central Trading Board the basis of a new society, with a minimum capital of £100,000. In this way, the Agricultural Wholesale Society came into being with the object of buying and selling for societies everything that is best bought or sold on wholesale lines. Societies were required to take up share capital equal to at least one £1 share for every member, and additional shares of an amount equal to 2 per cent. of their turnover. An allotment society was required to take up a £1 share for each 20 of its members, and, in addition, shares to the equivalent of 2 per cent. of its turnover. Voting power was to be on a share-capital basis. The question was considered whether the Co-operative Wholesale Society could not do all that was necessary for the agricultural co-operative movement as regards wholesale trading, but opinion appears to have been against the proposal.

It is unnecessary to describe the progress of the Agricultural Wholesale Society in detail. Its capital proved inadequate, and it had to face a period of acute trade depression with insufficient resources and credit. It went into liquidation in 1924. Throughout, it was concerned more with the bulk purchase of agricultural requirements than with the central marketing of produce. It acted as an agent for those societies which marketed wool on the

London market in 1920. It set up a department to market eggs and established a meat section to act as a clearing-house for the Smithfield transactions of the co-operative slaughterhouses. It also acquired the business of National Waste Products, for the purpose of handling the inedible offals of the slaughterhouse societies. In other directions, also, it was from time to time concerned with produce marketing, but only to a limited extent. It was never in any sense of the word a national entrepôt for co-operative marketing undertakings.

Much of the history of the agricultural co-operative movement in the post-war years revolved around the rise and fall of the Agricultural Wholesale Society. The theoretically sound policy of linking together the interests of the Agricultural Wholesale Society and the Agricultural Organisation Society, and of regarding each as the complement of the other, was not a success. It meant, in effect, that each suffered from the defects of the other, and there can be little doubt that the difficulties from which the Agricultural Wholesale Society eventually succumbed reacted seriously on the prestige of the older body.

Present Position.—The present trend appears to be for the various groups of societies in the country to form their own trading federations on a commodity basis, and in this respect to conform with the course which events are taking in most other lands. This has already been partially achieved in the case of bacon, by the formation of the central trading body known as the English Farmers' Bacon Agency, the characteristics of which have already been explained. The British Egg Producers, to which reference has previously been made, was a central trading federation in conception, although it has not achieved that end in practice. There is a regional trading federation in South Wales, known as the South Wales Mutual Dairies, which is a selling agency for four dairy societies, namely, Carmarthen Dairy Farmers, Haverfordwest Dairy Farmers, Llandilo Dairy Farmers and Pembroke Dairy Farmers. There is also a loose regional federation of fruit and vegetable co-operative marketing societies of the counties of Worcester, Gloucester, Warwick, and those adjoining, which has six societies in its membership; it is not at present a trading federation, but might become so if its functions were developed. The position is somewhat similar with regard to Stapleton Cotton House in North Wales, which is primarily an administrative federation of the societies operating in that area; it does, however, function as a central selling agency, up to a point, particularly on behalf of the small dairy societies. Mention has also been made of a type of regional non-trading federation which exists among the stilton cheese group of societies. In a sense, a large society such as the egg society at Framlingham, with its network of locally-managed collecting depôts, is also a regional trading federation, though of non-corporate constituents. So far as can be ascertained, there are no existing instances of federal action among co-operative slaughterhouses, and wool and livestock marketing societies.

It will be seen that the association of marketing societies for joint action in dealing with the sale of their produce is, as yet, only very slightly developed in this country; since, however, there is ground for the view that the present system of local societies is an inadequate form of organisation to deal with those important marketing services which may be classed as extra-local, such as the balancing of supply and demand in central markets, it seems necessary to give some account here of the purpose and significance of federal action of the kind referred to.

Non-trading Federations.—Some allusion may first be made to non-trading federations since these may be of importance to the co-operative marketing movement in (1) dealing with interests common to all societies; (2) creating a feeling of solidarity between the constituent organisations; (3) giving the groups a common centre from which to view their relations to other movements and businesses, such as the industrial co-operative movement and combines; (4) in paving the way, by the growth of mutual relationship, for close association in the sale of produce. On these grounds it may be suggested that each group of marketing societies might, with advantage, form a standing committee to watch over its general interests, to discuss matters arising between the societies, and to determine "common" policy, so that the obvious danger of societies being individually attracted out of the movement may be minimised by the creation of a united front. In this form of "general interest" organisation, the fact that the societies are widely scattered and are not competing in the same market is not material, and does not detract from its usefulness.

An important part of the work of the Agricultural Organisation Society consisted in services of this kind to the movement as a whole, but, as already indicated, the present tendency is for each commodity group of societies to develop its own sense of corporate action, and to express its own view and provide such services as its own marketing problems require. The conferences recently called at National Farmers' Union Headquarters at which the various commodity-groups of societies have separately discussed their group problems are a development that should be noted in this connection.

Federal Sales Agencies.—The problem of federal sales agencies requires much closer examination since it involves definite business issues such as the elimination of direct competition between marketing societies in the same markets. The need for joint action in marketing will depend (1) upon the degree to which societies compete with each other in disposing of their produce; (2) upon the complexity of the marketing problem; how far it involves, for example, extensive advertisement and an active search for markets—efforts which, while possible for a federation, may be too costly for individual societies; (3) how far a number of societies are faced by exactly the same problems, for example, in dealing with surpluses or in obtaining reliable market

intelligence, and are therefore likely to reap substantial economies by working through a federal sales agency.

The possibilities and advantages of joint action require to be worked out for each class of commodity separately, since marketing problems in some cases may afford less scope for federal agency than in others. Taking the case for federation as it appears in the experience of the societies described in this Report, the desirability of eliminating competition between societies in the sale of their produce is the most prominent consideration, but this would only apply to societies which sell their principal commodity outside their local markets, or disposed of their surplus or by-products in outside markets. A further consideration relates to the large number of societies which have mainly a local and limited outlook and are on too small a scale to face wider marketing responsibilities involving experience of the needs of different consuming centres, the rapid collection of market information, and decisions as to when to hold and when to sell. Such work can only be done competently by relatively large units employing a highly skilled staff. Moreover, many forms of preparation for marketing, such as classing and grading, are only worth while when the volume of produce is large; if the local unit is too small to do more than act as a collecting station, then some larger central or federal organisation requires to be created to render marketing services upon a business basis.

It may be noted that such a centralisation of selling services does not involve the loss of identity of existing local societies; they continue to exist for many purposes as separate units, their management may continue to be entirely local, and their delegation of selling power to the central agency carefully regulated and subject to termination at the end of agreed periods. The English Farmers' Bacon Agency may be taken as an illustration; it is a delegation by three bacon societies of certain of their selling functions to a brokerage agency in London created and controlled by them for specific sales work. An examination of other classes of societies might show that development along these lines was feasible and calculated to result in savings in marketing operations (*see also* page 40). Where a number of sound local societies with similar marketing problems exist in a limited area, then regional, as opposed to national federation, may of itself represent a solid advance in organisation and in sales service; the group of stilton cheese societies appear to conform sufficiently closely to this description to make it worth while for them to examine the possibility of developing the federal idea for trading purposes.

CHAPTER XIII.—THE INDUSTRIAL CO-OPERATIVE MOVEMENT IN RELATION TO AGRICULTURAL CO-OPERATION.

During the past twenty years repeated efforts have been made in the direction of linking up co-operative organisations of consumers with the agricultural co-operative movement by establishing trading relations between the Co-operative Wholesale Society and its affiliated retail societies on the one hand, and the agricultural societies on the other. At a conference of agricultural societies in 1903, the possibility of the Co-operative Wholesale Society setting up an agricultural department for the dual purpose of supplying farmers' requirements and of purchasing agricultural produce, appears to have been, for the first time, seriously considered. Contact had already been established here and there, particularly between farmers' societies and consumers' retail societies. To mention only two instances, the Eastern Dairy Farmers' Co-operative Society was supplying the Stratford Co-operative and Industrial Society with from 900 to 1,000 gallons of milk a day, besides butter and new-laid eggs, while a number of farmers' societies in South Wales were regularly supplying considerable quantities of butter to the Cardiff depôt of the Co-operative Wholesale Society. In 1906, a joint committee of the Co-operative Union and of the Agricultural Organisation Society was appointed to consider the possibility of arranging for the simultaneous promotion of agricultural and distributive co-operation in rural districts. Two years later a joint committee of representatives of agricultural and industrial societies in West Wales was set up with the object of developing intertrading. In the same year, two out of the six representatives nominated by the Board of Agriculture and Fisheries, as a condition of its grant for the promotion of co-operation among smallholders and allotment holders, to serve on the committee of management of the Agricultural Organisation Society were representatives of the Co-operative Union, while one of the three organisers to be appointed was chosen for his special knowledge of the requirements and business methods of consumers' co-operative societies. In 1909, the Co-operative Congress at Newcastle-upon-Tyne expressed the view that "the time has arrived when the producer on the land should be brought closer to the consumer, and that, therefore, a concrete policy of co-operative distribution should be defined"; arrangements were made for a conference towards the end of the year between representatives of both movements. This conference agreed that "while it is desirable that the agricultural co-operative movement should be brought into close business relations with the industrial distributive movement, these relations should be so established as to develop the co-operative efficiency of agricultural societies and encourage the spread of co-operation among agriculturists." A sub-

committee was appointed to work out details, and passed a number of resolutions which may be quoted :—

(1) "That every encouragement and assistance be given, by all the organisations represented, to the organisation of farmers throughout the United Kingdom into co-operative societies."

(2) "That the societies so organised be federated for trading purposes in such a way as ultimately to centre the entire co-operative trade in one federal body for each country."

(3) "That where the produce of farmers' societies is sold to distributive societies, or *vice versa*, it is desirable that all such transactions should take place through the respective trade federations of the farmers and the distributive movement, and that all such trade should be preferential and be subject to a lower margin of profit than where sales are made by either federation to the outside trade."

(4) "That every effort be made to put an end to such trade competition as at present may be hindering the general adoption of satisfactory arrangements between the distributive and the agricultural movements."

(5) "That the buyers of the two wholesale societies connected with the departments which purchase agricultural produce be called together to consult on a scheme to be suggested for carrying out the policy of this Committee, and that they be authorised to meet and consult with the agricultural organisations concerned in the productions of which they require supplies, and report the result to a future meeting."

This was followed, early in 1910, by a meeting of experts, representatives of both movements, which resolved :—

"That the Co-operative Wholesale Society be asked to establish a department, upon which the agricultural co-operative movement shall have adequate representation, for the marketing of the produce of small-holdings societies in England and Wales in the first instance, and subsequently, where found feasible, for dealing with agricultural produce generally."

The directors of the Co-operative Wholesale Society decided, however, that they could not there and then establish a department for marketing all kinds of agricultural produce, but that they would establish a fat-stock department and, in addition, would instruct the buyers in such of the existing departments as purchased agricultural produce to encourage transactions with the agricultural organisations. The conference appointed by the congress in 1909 was reappointed in 1910, and its continuance as a channel of information between both sides of the movement was agreed to. In 1914 the conference divided into three sub-

committees for (1) England and Wales; (2) Scotland; and (3) Ireland.

The advantages to be gained by dealing direct with organised consumers appears to have been fully appreciated in agricultural co-operative circles. It was realised, for example, that if the distributive societies would buy bullocks direct from the agricultural societies, farmers would save such expenses as (1) auctioneers' fees, (2) market charges and (3) rail and droving expenses to local markets. One way by which, it was suggested, such intertrading would be facilitated would be for the buyers of the Co-operative Wholesale Society, when visiting a district, to make a point of calling on agricultural societies serving the area and of endeavouring to secure the required produce from them before making other arrangements. It was also suggested that the somewhat expensive method employed by the Co-operative Wholesale Society of making its purchases through commission-agents should be restricted, and eventually abandoned, and that agricultural co-operative societies should be appointed in an agency capacity instead. With regard to the first of those points the Co-operative Wholesale Society appears to have been prepared to give preference to agricultural co-operative societies provided that the conditions of delivery, quality and price did not compare unfavourably with those prevailing in the open market. With regard to the second point, there is no evidence to show that the suggestion was adopted, at any rate as a settled policy. A steady increase in the volume of intertrade can, however, be traced. By the year 1914, the industrial societies were regularly purchasing large quantities of such commodities as cheese, milk, fruit, eggs and livestock from agricultural co-operative organisations, while 117 affiliated agricultural societies were also members of the Co-operative Wholesale Society, though mainly in connection with the trade in farmers' requirements. Statistics are difficult to obtain of the precise extent of the intertrading between farmers' and consumers' societies at any one date, as the transactions are usually merged in the general operations of societies, both as sellers and buyers. It was, however, calculated that the total annual value of intertrading between the two movements had, by 1914, reached a quarter of a million.

It was the general policy of the agricultural co-operative movement in the early days of the war to advise marketing societies to enter into trading relations with industrial co-operative undertakings; as a result, the volume of produce of all kinds sold by agricultural societies direct to consumers' societies continued to grow. A number of industrial societies looked to agricultural societies also for their supplies of feeding-stuffs, hay and straw, while, conversely, many agricultural societies appear to have been large buyers of wheat offals produced in the flour mills of the Co-operative Wholesale Society. This society alone, in 1916, is stated to have purchased from societies affiliated to the Agricultural Organisation Society over £86,000 worth of produce. During the same period, these latter

bought goods from the Co-operative Wholesale Society to the value of nearly £500,000. A special agricultural department had been formed by this organisation in 1915.

In 1919, the governors of the Agricultural Organisation Society reported that the question of bringing about closer relations with the industrial co-operative movement had been constantly before them, but they considered that the matter should be deferred until the organisation of the Agricultural Wholesale Society had been completed, when it might be possible to draw up a definite and comprehensive intertrading scheme. No such scheme appears ever to have been formulated. Indeed, a change in outlook towards the industrial co-operative movement was inevitable as soon as the Agricultural Wholesale Society entered the field, and during the existence of this society the relations between the two movements became less cordial.

Present Position.—With the demise of the Agricultural Organisation Society and of the Agricultural Wholesale Society in the autumn of 1924, the position has changed and efforts are again being made to increase intertrading. The Linlithgow Committee in its Final Report drew attention to the subject, and observed that “the establishment of trading relations between the industrial co-operative movement and the producers’ co-operative organisations is a development that should be continuously explored.”*

It is pointed out by the representatives of the industrial movement that the 1,400 retail consumers’ societies in the country feed approximately one-third of the whole consuming population, and are in a position to offer an assured outlet for the produce of British farms, with the added advantage of a simple and economical system of distribution. They represent, in fact, a ready-made marketing machine of enormous possibilities.†

The consumers who support these societies are said always to have a preference for home-produced supplies, as is shown by the fact that 80 per cent. of the meat sold in the industrial co-operative movement is home-killed against an average for the country as a whole of 50 per cent. The problem is how to obtain a guaranteed position for the home-producer in this attractive and important market.

One suggestion that has been put forward is that the Co-operative Union, which is a central federation for organisation, propaganda and defence of the various societies in the industrial co-operative movement, should set up an agricultural section, as had been recommended at the Carlisle Congress in 1919, with

* Cmd. 2008. Page 32.

† Interesting figures regarding the requirements of the Co-operative Wholesale Society alone and its intertrading possibilities in other directions are given in a booklet recently published by that organisation entitled “Farmers and the C.W.S.”

the object of rendering similar services to the agricultural co-operative movement. The Union, which in the early days of the agricultural co-operative movement had afforded considerable assistance, works through a representative central board with sectional boards in every county and is held to be efficient and well-equipped for work of this nature. The question was discussed at the Co-operative Congress held at Nottingham in June, 1924, when the following resolutions were passed :—

“ That this Congress, in view of the report of the Linlithgow Committee on the prices of agricultural produce, records its conviction that the best means of helping British agriculture, and at the same time rendering assistance to the consumer, would be the promotion of co-operative trading arrangements between agriculturists and the co-operative movement. It approves the steps taken by the Parliamentary Committee to have this matter discussed, and urges the Government to render what assistance is possible to organise such trading arrangements ” ;

“ that this Congress also reaffirms the decision taken at Carlisle in 1919, authorising the establishment of an Agricultural Section of the Co-operative Union, and instructs the Central Board to inquire into the matter and to take any steps that may be found necessary to carry that policy into effect.”

There is, of course a theoretical conflict of interest between producers, who, like other business men, wish to sell in the dearest market, and consumers, who wish to buy in the cheapest; but if the difficult question of price-fixing can be satisfactorily arranged, the direct sale of produce by farmers' societies to consumers' organisations should be advantageous to both sides. With a view to placing the question of prices on a non-controversial basis the suggestion has been made, and will be referred to later, that organised farmers should contract to supply fixed quantities of produce, to local industrial co-operative societies at agreed prices, stabilised over a term of years, with arrangements to readjust payments at intervals according to the market prices which had actually prevailed during the contract period. These would be purely local arrangements. In this connection, Sir Thomas Allen, a director of the Co-operative Wholesale Society, addressing the Conference on Agricultural Co-operation in the British Empire, at Wembley in July, 1924, expressed the view that : “ If fair prices are not to be obtained from the organised consumers they will not in the long run be found anywhere else,” and added : “ I say this out of some experience and believe it to be fundamentally true; if right relationships can be brought about between the consumers' organisations and the producers', then in the consumers' organisations the productive enterprise of this country will have its most valuable asset.” It may be noted

that the following resolutions were submitted to and passed by the conference referred to :—

“(1) That until complete information of the cost of agricultural production is available, the prices of agricultural produce must continue to be fixed by a process of bargaining”;

“(2) That the immediate task before co-operators is to enable bargaining to take place more and more directly between the organisations of co-operating producers and those of co-operating consumers so as gradually to eliminate the control now exercised by the middle man”;

“(3) That all federations of agricultural co-operative societies should endeavour to establish close intertrading relations with the consumers' wholesale society.”

With regard to the third of these resolutions, an example of intertrading between the Co-operative Wholesale Society and organised producers that has been referred to in recent discussions may be quoted here, namely the formation in April, 1921, of the New Zealand Produce Association in London in which the Co-operative Wholesale Society and the New Zealand Co-operative Marketing Association are the sole and equal shareholders. This organisation markets New Zealand cheese, butter and other produce in this country. The Co-operative Wholesale Society is the first and immediate market, but it is free to buy elsewhere and the agency to sell elsewhere, according to the trend of market prices. Neither is tied to the other.

Apprehensions are from time to time expressed that since in any complete scheme of intertrading it might be desirable for all farmers' societies to become members of the Co-operative Wholesale Society and of neighbouring retail societies, there is a risk not only of individual farmers' societies losing their independence, if not their identity, but of the subservience of the relatively weak agricultural co-operative movement as a whole. There is, in any event, a natural solidarity about the consumers' interests which is not inherent in the agricultural co-operative movement having regard to the variety of productive and marketing organisations of which it is comprised. It may be, therefore, that, in the long run, intertrading between the two movements might best develop on a federation basis, that is to say that, with the support of the National Farmers' Union, the central selling agency of each commodity-group of agricultural marketing societies should negotiate on behalf of the group as a whole. This would not only be in accordance with the idea expressed in the third resolution above referred to, but would be in accordance with the views expressed by the joint-committee of the two movements which carefully examined the question in 1909 pursuant to the recommendations of the Newcastle Congress (see page 159). Since, however, the association of agricultural co-operative marketing societies for joint action in dealing with the sale of their produce is, as yet, only slightly

developed in this country, the suggestion previously mentioned that negotiations, with a view to long-period contracts, should proceed on an area basis between the farmers and consumers' societies in the same district seems worthy of consideration. Any such arrangements would, of course, need to be carefully made, but it is obvious, that in the industrial co-operative movement farmers' organisations have a market which should offer them, on the whole, trading facilities at least equal and probably better than they can obtain elsewhere. These would include all the advantages offered by any large buyer, namely, regular buying, cash payments where possible, absence of bad debts, and possibly some saving in intermediate charges. Farmers as individuals and through their societies are already engaged to a considerable extent in reciprocal trading with the Co-operative Wholesale Society and with the various retail stores, and should know whether the results are, in general, satisfactory. There may, of course, be difficulties in the way of any considerable extension of these business relations, but it is for organised farmers themselves to consider whether, and, if so, how best, to take advantage of the favourable disposition now being shown by the industrial movement as reflected in a recent publication in which "it invites co-operative farmers, as essential producers" and as consumers themselves, to share in the commerce and in "the mind and spirit of British co-operation."*

* "Farmers and the C.W.S." published by the Co-operative Wholesale Society, 1924.

CHAPTER XIV.—SOME FUNDAMENTAL ISSUES.

It is clear from the foregoing account that co-operative marketing in England and Wales occupies a comparatively insignificant position in the total volume of agricultural trade. The share of the produce which it handles is small and it has made as yet but little contribution to the marketing organisation of the country as a whole. Few of the experiments which have been made indicate clearly the path of future progress. The societies that exist must be regarded, in the main, as local experiments in producers' organisations directed towards obtaining the best prices for their produce in the districts in which they operate. With rare exceptions, they do not show any signs of accepting the wider responsibilities of wholesale marketing agencies. Although a number of successful organisations exist, there is no instance in which the total supply of any product over an appreciable area is mainly controlled by a co-operative agency. The fact that the development of co-operative marketing has made so little progress in this country may, however, be an advantage since it leaves a clear field for the reconsideration of the problem as a whole. In this connection, there are a number of fundamental points which it is desirable to bring together in the following summary of the main conclusions to which this Report leads.

Formation of Societies.—The formation of societies does not appear to have been sufficiently careful in the past, nor in the majority of cases does any clear conception seem to have existed as to the essential points to be secured before any new society is launched. Even when the essential requirements for success have been recognised the inability to attain the ideal has seldom acted as a deterrent. While enthusiasm and energy on the part of producers are the backbone of co-operative enterprise, these qualities must not be used as substitutes for a dispassionate analysis of the business situation which a co-operative venture has to face. From the standpoint of the proposed society itself, it is essential that a survey covering all points of importance should first be carried out. This is a well-known procedure in modern business; for example, if a factory were being established, an essential step would be the assembling of data relating to such matters as finance, sources of raw material, transport facilities and rates, available sites, power, labour, distance to markets and so on. Farmers' societies have frequently carried out preliminary surveys of this nature, but by no means always and, in any event, rarely as exhaustively as prudence required.

It may be of advantage to emphasise the following more important, if somewhat obvious, points to which producers

contemplating combination for marketing purposes should address themselves :—

(a) What are the existing marketing methods and facilities? Are they satisfactory to buyers and sellers? If improvements are needed, are these likely to be achieved co-operatively?

(b) Is there responsible farming opinion behind the project, and are there, in the district, farmers of standing and experience who are prepared to assist in management and to find the time necessary for this purpose?

(c) Is there sufficient business to support the society in its district? Has the society any guarantee that its producer members are prepared to support it by supplying produce? What outlets for the sale of produce can be relied on?

(d) What capital is needed to meet the estimated expenditure on sites, buildings, plant and equipment, and for working capital, having regard to the nature and estimated volume of business, and to the custom of the trade concerned regarding credit given and taken? How is this capital to be obtained from members? What is the attitude of bankers, local traders and others?

(e) What are the direct and indirect savings in cost which it is hoped to secure by association? Is there evidence that the margin of profit on the produce obtainable will cover the overhead charges and leave sufficient to justify the existence of the undertaking?

✓ *Guaranteed Supply.*—Following what has been said with regard to the necessity for a careful study of the business situation, the experience of co-operative marketing societies in England and Wales shows the serious difficulties that arise when an adequate volume of trade has not been permanently assured; this involves the question of guaranteed supply. It is obvious from the records of each commodity-group that members do not fully recognise the obligation to supply produce to their society. If any advance is to be made in the direction of securing a regular and definite supply, a policy of agreements and contracts between the societies and their members must be carefully considered. At present many farmers are playing with co-operative organisation and not committing themselves to a thorough-going experiment; they seek to retain their connection with the middleman-system and at the same time to set in operation a rival organisation. The result is unsatisfactory on all counts, since the ordinary trade agencies find a new and uncertain rival in the marketing society and subject it at once to competitive pressure, while its members play it off against the trader as a bargaining agency to secure better prices.

The whole tendency in the experience of the United States, Australia, Denmark and other countries is to establish the position of co-operative marketing organisations by membership-contracts which have the effect of compelling members, during certain stipulated periods, to deliver all or an agreed proportion of their

produce to their societies. The uses of such contracts may be stated as follows :—

(1) to assure in advance a steady volume of business and to admit of appropriate plans and organisation.

(2) to furnish a basis for credit, since the contracts are in reality an added security for banking operations.

(3) to enable the supply of the product to the markets to be regulated.

(4) to put the societies in the best position to influence their members as to the most desirable types and varieties of produce to raise.

(5) to give a basis for collective bargaining with buyers, and

(6) to discourage attacks by competitors.

It is not proposed to describe, in detail, the points which should be included in such contracts, but it may be pointed out that large numbers of farmers in different parts of the world have actually and voluntarily set up their organisations upon this basis.

The idea, it is true, has been applied by certain societies in this country, but it is, in the main, untried and has never been accepted as an essential basis for co-operative marketing, for the reason perhaps, that it commits farmers to a definite line of action for a fixed period and removes the possibility of an alternative channel for the disposal of their produce. It is clear, however, that unless producers can be convinced that firm and decisive action of this kind is in their ultimate interest, there is little hope for the development of co-operative marketing in this country.

With regard to the length of contract, the general principle would seem to be that a membership contract ought to run long enough to afford a society an opportunity to demonstrate its possibilities as a trading concern. With some commodities, two years may be enough; with others, five years may be needed. The initial contract period should depend (1) upon the extent of the selling organisation to be set up; (2) the amount of equipment required; (3) the general trend of prices; (4) the extent to which it may be necessary to carry stocks and to finance the undertaking. It is also clear that a definite time-limit to contracts is desirable in order to give individual members an opportunity of withdrawing from a contractual relationship which may not, in their view, have been advantageous. As one writer has expressed it "in essence the grower says: we think that in a period of 3 years, you should be able to demonstrate whether you can succeed with your plan. We give you three years in which to do it. If at the end of that time you have not done it, we are free to withdraw." This point is of importance because membership-contracts are no substitute for sound management; in so far as such contracts give a good start to a new venture and a stable foundation for business organisation,

they are a source of strength and make for cohesion, but they are not a spell which will ensure success for a badly-managed enterprise. After the initial contract period, the term of future contracts will, of course, depend on the experience and prospects of the organisation concerned.

Minimum Economic Turnover.—Closely connected with the guarantee of supply is the question of the size of the society; much of the evidence shows the uneconomic character of small and insignificant local units which, however well they may be operated, are entirely inadequate to bear market responsibilities unless they are linked up with some large central organisation. A large number of the existing marketing societies in this country fall into this category. There seems room for a careful investigation of operating costs to determine for societies in the various commodity-groups the minimum turnover upon which it is desirable to commence operations having regard to the area and purpose which it is intended to serve.

Price Policy.—The price policy adopted by societies towards their members has been a matter of frequent comment in this Report as being a source of weakness in many co-operative marketing undertakings in this country. The practice of paying members a sum equivalent to market price for produce at the time of delivery may not only necessitate an unduly high capitalisation, but involves the society in a merchant risk which may mean heavy losses on a falling market. It is obviously less conducive to stability than a policy of making advance payments for produce, charging the whole cost of service against the proceeds of sale and leaving the remainder, if any, to be returned to the farmer at the end of defined periods, or, alternatively, as is done in some cases, of making a close estimate of probable expenses and returning to the members, in one payment, the total amounts actually received for their produce less their proportion of the estimated costs.

It should be noted, however, that usually those societies which have adopted the more precarious policy of buying produce from members for cash at market rates, have found it necessary to do so in order to conform with the practice of merchants and others trading in the same line. In the absence of any general appreciation on the part of members of the importance, in their own interests, of a "safety first" price policy, societies have not felt strong enough to apply either of the alternative systems referred to. The question is mainly one of education in co-operative principles, but it is bound up with the question of guaranteed supply and to some extent with that of marketing credit.

Finance.—Reference has been made to the £200 share limit imposed by the Industrial and Provident Societies Acts, and to the fact that this may make it difficult for certain types of societies to be adequately financed on a share capital basis. This restriction would not, however, be felt by many societies if members were required to take up shares bearing an adequate ratio both

to the annual value or quantity of supplies they expect or undertake to forward and to the capital requirements of the enterprise as a whole. In the absence of any such arrangement to ensure the equitable distribution of financial obligations, it frequently happens that members who can afford to finance their proportion of the society's trade only take up a very few shares, while other members who may be willing to subscribe for additional shares are debarred from doing so by the statutory limitation. Certain societies, more particularly in the dairy group, require their members to take up shares on the basis of the number of cows they own, or may own, from year to year; some bacon societies also expect their members to subscribe for shares in proportion to the pigs they undertake annually to supply; but, even in these cases, there is seldom that relation between shareholding, supplies and total capital requirements which is desirable.

The absence of any such relation, on the one hand, and the fact that, on the other, individual members willing to take up additional shares are limited to a maximum shareholding of £200, has meant, in practice, that many societies have been compelled to resort to the system of raising withdrawable loans, secured or unsecured, and, as a rule, disproportionately large overdrafts, in addition, which are usually secured either on the fixed assets of the society or on the voluntary guarantee of individual members. Mortgages over a term of years secured on the fixed assets of societies are also common. As has been repeatedly stressed, withdrawable loans, as such, are not a suitable method of permanent finance, because they leave societies in difficulties if the loans are recalled at a time of crisis and, to the extent that they are secured by personal guarantee, they place upon the shoulders of a few members a burden which should be spread over the members as a whole. The scheme of long-term loans recently introduced by the Ministry of Agriculture and Fisheries in respect of initial capital expenditure is not, of course, open to this objection from the point of view of societies. Overdrafts, it is true, afford a reasonably cheap system of credit, and, when limited to the normal short-term requirements of business, are desirable, but they only partially cover the borrowing needs of many societies, are liable to curtailment and to increase in cost as the money market tightens. They are seldom granted in the absence of collateral security. Moreover, bank charges have to be met whatever the societies' trading results may be.

The practice of raising loans and heavy overdrafts is also due to the fact that societies generally have no inducements to offer to the investing public and are, therefore, not in a position to issue non-voting preference shares, or stock, on the lines adopted in other countries. Indeed, societies are less concerned with inviting investment than with obtaining credit facilities to enable them to carry on their business to the best advantage. An added difficulty in this connection, however, is that undertakings registered under the Industrial and Provident Societies Acts cannot give a good floating charge over their stocks and

other chattels which come within the scope of the Bills of Sale Acts. For co-operative marketing societies, especially those handling such commodities as wool, cheese, bacon and preserved eggs, this may prove a serious restriction.

When ordinary loan possibilities have been exhausted, societies in need of money are compelled to resort to other methods of obtaining the accommodation they require. Cases have occurred where dairy societies requiring capital have funded the moneys due by them to their members for produce sold and credited each member with the amount due to him. Similarly, periodical deductions from payments due by bacon factories and egg-collecting societies have occasionally been credited to members' accounts until such time as their share capital obligations have been liquidated. These methods may be helpful, in the one case, in enabling a society to raise, from its members as a whole, any additional money that may be required, and, in the other, of permitting members to purchase shares on the instalment plan. It is true that many societies show year by year a steadily increasing membership and share capital but, so far as can be ascertained, there are few instances of societies, once established, obtaining any appreciable increment of share capital to meet an emergency.

The fact remains that inadequate initial capital, depleted by subsequent losses, has resulted in many societies carrying a burden of bank charges, and obligations in respect of other loans, out of proportion to their turnover. This position is aggravated by the tendency of some societies to distribute, by way of interest on capital and bonuses on supplies, practically the whole of their distributable profits without making adequate provision for reserves. It is unsatisfactory to be called upon to work, more or less permanently, with disproportionate bank and other capital charges and this cannot fail to place a society in a disadvantageous position. The remedies are adequate capitalisation in the first instance and the provision of reserves and sinking funds to liquidate loans. In both these respects the majority of societies are deficient.

Management.—The general course of the inquiry shows conclusively that the successful societies owe the greater part of their prosperity, in existing circumstances, to good management and especially to good managers, while, conversely, the failures can more often than not be traced to downright mismanagement. The importance of the personal factor cannot be overestimated. In this connection, it should be borne in mind that the management of any co-operative marketing society presents certain difficulties not customarily experienced in ordinary trade. Failing the adoption of contracts, which have been shown to be rare in this country, the manager of a co-operative marketing society is confronted from the first with a situation in which the suppliers of the produce he handles are the controlling force in the business. Consideration of their own immediate interest

tends to make them expect a higher price for their commodity than the society can prudently afford to pay. Even the Committee, from whom the manager takes his orders, may be inclined to adopt the same attitude. When such is the case, only a manager with personality and tact, in whom the members have confidence, can make an effective resistance. Unlike an ordinary trader, he cannot break entirely away, if his suppliers ask too much for their goods.

Committees, of course, do not always adopt this attitude. In some cases, they are influenced by chairmen or committeemen who take a wider and more businesslike view. There is reason to believe, also, that the presence on the committee of men who are not themselves producers, but are qualified by business experience in other directions, is a source of strength to some societies. Local bankers or accountants, for example, have been induced to lend their services in certain cases; this is an expedient which merits consideration by societies generally.

It is obvious that any extension of the membership-contract system will add significance to the question of efficient management. In this connection, there is much to be said for the view that co-operative marketing undertakings require managers with special training so that, in addition to possessing such technical knowledge as may be required, they may appreciate the problems with respect to membership and markets with which societies are concerned. It is possible that the best managers will always be produced within the movement itself, and it would be true to say that many of the most successful managers to-day owe their efficiency and experience to past training in a subordinate capacity in well-conducted agricultural co-operative undertakings.

It is, however, in the highest degree important that the managerial salaries offered by societies should be sufficiently tempting to attract and retain managers of wide business experience consistent with the extent and scope of the undertaking. Too frequently, this has not been appreciated in the past, but it is obvious that a co-operative society cannot hope to make headway unless it can secure the services of managers and other assistants who are fully equal in ability to those employed by competing businesses. The most disadvantageous economy a society can practise is to stint the salary of a good and efficient manager.

There is a tendency also to employ managers possessing technical qualifications rather than commercial capacity, whereas, although the former are desirable and often necessary, commercial ability and knowledge are always essential. A combination of these qualifications is desirable, and, when found, should be remunerated accordingly.

✓ Grading and Standardisation.—Some societies, including a number of those engaged in the marketing of eggs, wool and bacon, undertake classing or grading to a greater or less extent, but, in the main, societies in this country leave the whole question

or grading and standardisation untouched, nor can they ever achieve any notable advance in this direction without some control over their members' supplies such as would be given by membership-contracts. With such a basis, however, important reactions upon quality production might take place.

It is obvious that when societies handling such commodities as butter, cheese, eggs, bacon, wool and some varieties of fruit and vegetables, act as wholesalers, they stand in more or less the same relation to the final market in this country as producers overseas. If, therefore, imported produce is made more attractive to buyers by reason of careful grading and packing, the produce of co-operative marketing societies in this country must conform to the same standard if it is to compete on equal terms.

When societies sell direct to retailers, as most of them endeavour to do, they have an initial advantage over overseas producers in avoiding wholesalers' charges. Even so, however, they are bound to feel the competition of imported supplies, the effect of which increases in proportion to the grading-up policy adopted by overseas producers. In fact, while societies selling direct to the retail trade may be in a favourable position as regards price and, as regards some commodities, freshness also, they have no other initial advantage in the matter of presentation and quality, and must endeavour to attain the standard set by their overseas competitors. Moreover, by standardisation of products, the overseas producer makes his produce a known factor in the market and puts buyers in such a position that they are able to make forward purchases on brand or sample, which stabilises not only the business of distribution but the position of the producer also. In this country, co-operative marketing societies, partly owing to the wide variation in quality and type of the produce raised, partly owing to their lack of control over supplies and partly owing to the fact that they operate on a relatively small scale, have been unable to attain any degree of standardisation in the products they market. That is not to say, however, that grading might not be more extensively carried out by existing societies than it is at present; as pointed out by the Linlithgow Committee, far-reaching improvement in the preparation of home-grown produce for market is an urgent necessity.

General.—The high percentage of recorded failures* in certain classes of co-operative marketing societies in this country and the relatively feeble advance that has been made notwithstanding the astonishing amount of effort that has been put into the movement, are frequently said to be explained by the fact that practically the whole of the produce raised in this country finds a ready market near at hand, with the result that societies have

* Table III shows that out of 326 marketing societies classified as such, added to the register between 1901 and 1923, no less than 178 have since been removed for various reasons.

not been able to hold their own because members have not felt the necessity for supporting them. This view would appear to be based on the success which has attended co-operation in Denmark and the Dominions, the inference being that co-operation can only flourish in a country which relies on an export trade for disposing of the greater part of its produce.

It must always be easier to develop a system of co-operative marketing if, as in the case of Denmark, it can be built up as a new institution to supplement rather than displace existing trade organisations. The conditions of an export trade, again, are such that grading and standardisation are practical necessities. It does not, however, follow that because it is easier to build up co-operative marketing undertakings for export purposes, such undertakings may not also succeed in a country where agriculture depends for its outlets wholly or mainly on the home market. It is not generally realised that the majority of the American co-operative developments are concerned with the home trade of that country. The great co-operative dairying undertakings which supply New York and other towns with milk are conspicuous examples. Co-operative developments in Germany and Belgium, which countries are not, in the main, exporters of foodstuffs, have already been referred to.*

There certainly appears to be no economic reason why co-operation should not succeed in this country. It is true that some producers are so near to the consumer that they can deliver milk, fruit, and other commodities direct, but by far the greater part of the produce sold off British farms passes through the hands of at least one intermediary, and if the British farmer finds it to his advantage to use the services of an agent in this way, it is obvious that a co-operative agency might be equally useful as an alternative. Moreover, many districts in England and Wales are not "near" to their markets at all, but are, in effect, export areas, as, for instance, in the case of milk, eggs, fruit, vegetables, grain and other home-grown products which are regularly sent long distances by rail.

Some general inquiry relating to each class of commodity appears to be necessary to determine the main channels of trade in particular areas and the extent to which they are used. These and other general questions relating to the marketing of agricultural produce are being studied in the Markets and Co-operation Branch of the Ministry and will, it is hoped, form the subject of later reports, but it is probably correct to say that, taken as a whole, there is nothing in British agricultural conditions which is inherently antagonistic to the widespread development of a co-operative marketing system.

The fundamental issue then can be narrowed down to this: will it be good business for the producers of this country to continue to market their produce on individual lines having regard to the organised marketing of the produce from abroad

with which they have to compete and to the organised middleman-system to which they have to sell? This basic question can only be answered by farmers themselves. If the answer be that co-operation is, in fact, *better business*, then the impulse for its future development will come from the industry itself, and it is to representative organisations like the National Farmers' Union that the individual producer must look for the co-ordination of local effort and for the formulation of a constructive policy on national lines.

Acknowledgment.—The statistical and other information on which this Report is based has been mainly furnished by societies themselves; this assistance is gratefully acknowledged.

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Note.—Unless otherwise stated, the figures in these Tables refer to the Trading Year 1923.

The figures quoted as the average turnover per member in any commodity must be read with reserve for the following reasons:—
 (a) there is usually a proportion of non-supplying members; and
 (b) produce is also received from non-members.

TABLE I.—Showing Number and Turnover of Agricultural Marketing Societies and Certain Other Societies Handling Agricultural Produce as Part of their General Trading during the Period 1923–1924.

Commodity Handled.	Number of Societies.	Turnover. §
		£
Dairy Produce - - - - -	63	1,447,627
Eggs and Poultry - - - - -	43	349,262
Fruit and Vegetables - - - - -	16	301,932
Livestock* - - - - -	9	375,128
Auction Marts (Livestock) - - - - -	18	1,081,953
Slaughterhouses - - - - -	11	415,270
Bacon Factories - - - - -	6	694,826 †
Wool - - - - -	13	200,000 †
Total - - - - -	181	4,865,998

* This entry covers societies selling livestock on behalf of members otherwise than through an auction mart owned or rented by the society.

† Estimated value.

‡ 1924 figures.

§ Turnover in respect of produce handled and not necessarily total turnover of society.

Note.—The table excludes turnovers in grain, hay, potatoes, &c., of general trading societies, particulars relating to which are being assembled for a subsequent Report.

TABLE II.—Showing the Location of Societies Marketing certain Classes of Agricultural Produce in England and Wales during the Period 1923–1924.

County.	Dairy Produce.	Eggs and Poultry.	Fruit and Vegetables.	Livestock.†	Auction Marts.*	Slaughter-houses.	Bacon Factories.	Wool.
Anglesey	1	1	—	—	—	—	—	—
Berkshire	1	1	—	—	—	—	—	—
Brecknockshire	—	—	—	—	1	—	—	—
Cardiganshire	—	—	—	—	2	—	—	—
Carmarthenshire	3	1	—	—	1	—	—	—
Carnarvonshire	—	2	1	—	—	—	—	—
Cheshire	2	—	—	—	1	—	—	—
Cornwall	2	3	—	1	—	—	—	1
Cumberland	1	1	—	—	—	—	—	—
Denbigh	8	—	—	—	—	—	—	—
Derbyshire	3	—	—	—	—	—	—	—
Devon	—	1	2	—	—	3	—	1
Dorset	1	1	—	—	—	—	—	—
Durham	—	—	—	—	—	1	—	—
Flintshire	2	—	—	—	—	—	—	—
Glamorgan	—	—	—	—	1	1	—	—
Gloucestershire	2	3	2	1	1	1	—	1
Hampshire	—	1	—	—	—	1	1	—
Herefordshire	1	1	—	1	—	—	—	2
Hertfordshire	1	1	—	—	—	—	1	—
Isle of Wight	—	1	—	—	—	—	—	—
Kent	—	1	1	—	1	—	1	1
Lancashire	5	1	1	1	—	—	—	—
Leicestershire	6	—	—	2	1	—	—	—
Lincolnshire	—	1	1	—	—	—	1	1
London	—	1	—	—	—	—	—	—
Montgomery	2	—	—	—	—	—	—	—
Norfolk	—	1	3	—	—	—	—	—
Northamptonshire	—	1	—	—	—	—	—	—
Northumberland	2	1	—	—	2	1	—	—
Nottinghamshire	1	—	—	—	1	—	—	1
Oxfordshire	1	2	—	—	—	—	1	—
Pembroke	3	2	—	—	1	—	—	—
Shropshire	1	2	1	1	—	—	—	1
Somerset	3	4	—	—	—	—	—	—
Staffordshire	2	—	—	—	2	—	—	1
Suffolk	—	1	1	—	—	1	1	1
Sussex	4	2	1	—	—	—	—	1
Warwickshire	—	—	1	—	1	—	—	—
Westmorland	—	1	—	—	—	—	—	—
Wiltshire	—	2	—	—	—	—	—	—
Worcester	—	—	3	—	—	—	—	—
Yorkshire E. Riding	1	—	—	1	1	—	—	—
„ N. Riding	3	2	—	1	1	—	—	1
„ W. Riding	1	—	—	—	—	—	—	—
	63	43	18	9	18	11	6	13

NOTE.—In this Table societies have been entered separately under each and every commodity handled on a sufficient scale to justify tabulation.

* This column refers to societies which own or control livestock auction marts.

† This entry covers societies selling livestock on behalf of members otherwise than through an auction mart owned or rented by the society.

TABLE III.—Registrations and Removals from Register of Agricultural Co-operative Societies from the Year 1901 to the Year 1923.

Year.	Requisite Supply.		Dairy.		Egg and Poultry.		Fruit and Market Garden Produce.		Auction Marts (Livestock).		Slaughter-houses.		Bacon Factories.		Wool.		Total.	
	Regis- trations.	Removals.	Regis- trations.	Removals.	Regis- trations.	Removals.	Regis- trations.	Removals.	Regis- trations.	Removals.	Regis- trations.	Removals.	Regis- trations.	Removals.	Regis- trations.	Removals.	Regis- trations.	Removals.
1901	10	—	3	1	—	—	—	—	—	—	—	—	—	—	—	—	—	1
1902	13	—	3	2	8	—	—	1	—	—	—	—	—	—	—	—	—	3
1903	16	—	3	4	7	—	—	—	—	—	—	—	—	—	—	—	—	5
1904	17	6	3	—	7	—	—	—	—	—	—	—	—	—	—	—	—	7
1905	19	3	3	3	4	—	—	—	—	—	—	—	—	—	—	—	—	10
1906	23	4	3	3	—	—	—	—	—	—	—	—	—	—	—	—	—	12
1907	12	6	1	—	4	—	—	—	—	—	—	—	—	—	—	—	—	7
1908	19	5	2	—	3	—	—	—	—	—	—	—	—	—	—	—	—	16
1909	20	5	—	3	1	—	—	—	—	—	—	—	—	—	—	—	—	6
1910	9	8	—	—	23	—	—	—	—	—	—	—	—	—	—	—	—	8
1911	17	7	3	2	9	—	—	—	—	—	—	—	—	—	—	—	—	11
1912	21	12	6	2	2	—	—	—	—	—	—	—	—	—	—	—	—	12
1913	27	7	4	1	3	—	—	—	—	—	—	—	—	—	—	—	—	31
1914	36	8	4	—	3	—	—	—	—	—	—	—	—	—	—	—	—	12
1915	15	8	2	2	1	—	—	—	—	—	—	—	—	—	—	—	—	11
1916	16	5	3	4	16	—	—	—	—	—	—	—	—	—	—	—	—	14
1917	25	8	6	—	10	—	—	—	—	—	—	—	—	—	—	—	—	18
1918	10	8	18	2	3	—	—	—	—	—	—	—	—	—	—	—	—	16
1919	38	21	15	7	1	—	—	—	—	—	—	—	—	—	—	—	—	15
1920	14	26	16	4	—	—	—	—	—	—	—	—	—	—	—	—	—	38
1921	5	14	7	5	2	—	—	—	—	—	—	—	—	—	—	—	—	50
1922	—	12	11	5	3	—	—	—	—	—	—	—	—	—	—	—	—	27
1923	3	12	5	4	2	—	—	—	—	—	—	—	—	—	—	—	—	36
Total	385	182	127	54	111	83	57	40	18	3	10	3	6	—	4	1	719	366

Note.—Owing to changes that may have taken place in the functions and corporate status of a number of societies this table should be read as only indicating the position generally.

TABLE IV (a).—Membership, Share Capital and Turnover of Farmers' Co-operative Societies dealing mainly in Liquid Milk as Wholesalers.

Name of Society and Functions.	Member-ship.	Share Capital.	Average Share Capital per Member.	Turnover in Milk and Dairy Produce.	Average Turnover in Milk and Dairy Produce per Member.
Allendale Farmers	327	£ 2,717	£ 8.3	£ 18,900	£ 57.8
Braislford and District Dairy Farmers Assn.	92	3,782	41.1	42,842	463.5
Buxted Agricultural Society	55	*	*	*	*
§§Carmarthen Dairy Farmers	7	—	—	—	—
Gloucester Farmers Milk Depôt	384	4,585	11.9	20,811	172.3
§§Haverfordwest Dairy Farmers	7	—	—	—	—
Ilminster and District Farmers Co-operative Society	271	7,190	26.5	†	†
Linfold Farm Dairy	48	1,417	29.5	22,880	476.6
§§Llandilo Dairy Farmers	7	—	—	—	—
Lostwithiel and District Farmers	61	1,865	30.6	5,279	69.5
Manifold Valley Dairy Association	33	119	3.6	4,240	365.3
§§Pembroke Dairy Farmers	8	50	—	12,055	—
Smoaton Creamery	43	351	8.2	15,072	137.3
Sparkford Vale Co-operative Dairy	210	11,772	56.1	5,905	137.3
Sturminster Newton and District Farmers	486	19,822	40.8	101,592	483.8
Wincanton District Farmers	200	1,221	6.1	173,903	357.8
Wykeham and District Milk Producers	26	90	3.5	77,707	388.5
				1,952	75.1
Total, 1923-24	2,265	54,981†	24.3	580,944†	291.4
Total, 1914-15	1,743	—	—	158,673	91.0
Increase or Decrease	+522	—	—	+422,271	—

* Particulars not available. Society only recently registered.

† Figures for two societies (* †) not included in this total.

§§ No reference is made in this table to the South Wales Mutual Dairies, Ltd., which is a selling agency for the four societies indicated §§.

† Figures not available.

TABLE IV (b).—Membership, Share Capital and Turnover of Farmers' Co-operative Societies dealing mainly in Liquid Milk as Wholesalers and Retailers.

Name of Society and Functions.	Member-ship.	Share Capital.	Average Share Capital per Member.	Turnover in Milk and Dairy Produce.	Average Turnover in Milk and Dairy Produce per Member.
Barthomley Farmers Dairy	163	£ 5,955	£ 36.6	£ 23,342	£ 143.2
Derbyshire Farmers	1,385	40,342	29.1	136,084	98.3
Earl Sterndale and Longmore Dairy Association	75	664	8.9	10,910	145.5
Haltwhistle Co-operative Creamery	123	702	5.7	4,158	415.8*
Horeham Road Co-operative Society	87	3,423	39.3	19,535	224.5
Midland Dairy Farmers	261	19,889	76.2	†	†
Skeldale Co-operative Dairy	8	35	4.4	2,152	269.0
Total, 1923-24	2,012	71,010	33.8	196,181†	112.0
Total, 1914-15	114	—	—	112,542	987.2
Increase or Decrease	+1,998	—	—	+83,639	—

* In the case of this Society there is a large number of non-producer members. Only the number supplying milk has been used to obtain the turnover per member.

† Figures not available.

‡ The turnover for one society (†) is not included in this total.

TABLE IV (c).—*Supplying Membership and Turnover of Farmers' Co-operative Societies dealing mainly in Liquid Milk as Wholesalers and/or Retailers as a Department of General Trading.*

	No. of Members Supplying Milk or Dairy Produce.	Turnover in Milk and Dairy Produce.	Average Turnover in Milk and Dairy Produce per Supplying Member.
		£	£
Brandsby Agricultural Trading Association	22	6,613	300·6
††Clynderwen and District Farmers Association	300	17,811	59·4
***Keswick and Cockermonth Farmers Co-operative Society	10	430	43·0
††Ledbury Agricultural Co-operative Society	35	8,604	245·8
††Llanybyther Agricultural Co-operative Society	125	2,275	19·0
Lunesdale and District Agricultural Supply Society	75	30,270	403·6
†Preston and District Farmers Trading Society	—	46,520	**
Staffordshire Farmers	67	78,416	1,170·4
Yorkshire Farmers	22	14,744	670·2
Total, 1923-24	—	205,683	—
Total, 1914-15	—	123,230	—
Increase or Decrease	—	+12,453	—

† The dairy trade of this society is limited to cheese.

†† Being closed down.

††† Butter-making society.

** It has not been possible to obtain average number of supplying members for this society for 1923.

*** The Society is now a depôt of the Lunesdale and District Agricultural Supply Society and handles only butter and eggs.

NOTE.—The total membership and share capital have not been given in the case of these societies as the figures bear no relation to the turnover in milk and milk produce.

TABLE IV (d).—*Membership, Share Capital and Turnover of Farmers' Co-operative Societies dealing mainly in Liquid Milk as Retailers.*

Name of Society and Functions.	Member-ship.	Share Capital.	Average Share Capital per Member.	Turnover in Milk and Dairy Produce.	Average Turnover in Milk and Dairy Produce per Member.
		£ *	£ *	£ *	£ *
County Dairies (1923)	*				
Blackpool and Fylde Farmers Pure Milk Supply Assn.	42	1,826	43.5	52,605	1,252.5
Farmers Clean Milk Dairies	17	4,600	270.6	41,553	2,444.3
Harpenden Dairies	13	2,120	163.1	17,090	1,314.6
Oxfordshire Dairy Farmers	15	1,960	130.7	13,326	888.4
Vale of Clwyd Dairies	27	523	19.4	2,538	94.0
Vale of Conway Dairies	67	649	9.7	1,802	26.9
Total, 1923-24	181‡	11,678‡	64.5	128,914‡	712.2
Total, 1914-15	15	—	—	5,013	334.2
Increase or Decrease	+166	—	—	+123,901	—

* Particulars not available. Society only recently registered.

‡ Figures for one society (*) are not included in this total.

TABLE IV (e).—*Membership, Share Capital and Turnover of Farmers' Co-operative Societies mainly manufacturing Milk Products.—Cheese and/or Butter Manufacturers.*

Name of Society and Functions.	Member-ship.	Share Capital.	Average Share Capital per Member.	Turnover in Milk and Dairy Produce.	Average Turnover in Milk and Dairy Produce per Member.
		£	£	£	£
Barrow in Furness and District Dairy Farmers (Co-op.) Socy.	80	3,137	39.2	7,629	95.4
Bernew District Farmers Co-operative Society	29	932	32.1	160	5.5
Caesws and District Dairy Association	9	81	9.0	611	67.9
Cornwall County Farm and Dairy Co-operative Society	122	1,640	13.4	21,417	175.5
Frodsham Area Surplus Milk Society	274	5,538	20.2	553	2.0
Hope Co-operative Dairies	32	362	11.3	392	12.3
Llandyrnog Cheese Factory	47	1,688	35.9	3,856	82.0
Llangedwyn Farmers Co-operative Cheese Association	35	501	14.3	2,943	84.1
Llangerniew Co-operative Cheese Factory	47	284	6.0	1,240	76.4
†Minera Co-operative Dairies	22	115	5.2	621	28.2
Narquis and District Co-operative Cheese-making Society	40	619	15.5	3,196	79.9
Priou Co-operative Dairies	27	313	11.6	883	32.7
Ribble Valley Dairy Society	10	250	25.0	4,693	469.3
Steyning Co-operative Society	76	282	3.7	283	3.7
Tryddyn Co-operative Dairies	26	195	7.5	660	25.4
‡Ty-Croes Co-operative Dairies	21	293	14.0	207	9.9
Total, 1923-24	897	16,230	18.1	49,344	55.0
Total, 1914-15	427	—	—	72,736	170.3
Increase or Decrease	+470	—	—	-23,392	—

|| Closed down in 1924.

† Ceased to function after the 1923 season. ‡ Now being wound up.

TABLE IV (f).—Membership, Share Capital and Turnover of Farmers' Co-operative Societies mainly manufacturing Milk Products.—Stilton Cheese Manufacturers.

Name of Society and Functions.	Member-ship.	Share Capital.	Average Share Capital per Member.	Turnover in Milk and Dairy Produce.	Average Turnover in Milk and Dairy Produce per Member.
Ashby Folville Co-operative Dairy	19	£ 966	£ 15.3	£ 10,040	£ 528.4
Colston Bassett and District Dairy	48	1,027	21.4	18,073	376.5
Harby Farmers Dairy	12	572	4.8	*	*
Long Clawson Dairy	85	1,731	20.4	36,747	432.3
Melton Mowbray Dairy Farmers	48	1,634	34.0	13,552	282.3
Scalford Dairy	42	786	18.7	9,711	231.2
Stathern and District Dairy	40	1,294	32.4	13,770	344.3
Total, 1923-24	294	8,000	27.2	101,893	346.6
Total, 1914-15	122	—	—	17,930	—
Increase or Decrease	+ 172	—	—	+ 83,963	—

NOTE.—The following Societies were registered during the year 1923:—Dairy Farmers Co-operative Society; E. Suffolk Agricultural Society (mainly dairying).

The following Societies were registered during the year 1924:—East Sussex Dairy Farmers; Farmers Association (a); Kinoupton Farmers; Hurstpierpoint Co-operative Society.
(a) A retail society.

* Particulars not available. Society only recently registered.

TABLE V.—Societies in which the Marketing of Eggs and Poultry is the Main Purpose of the Society.

Society.	Number of Members.	Share Capital, £	Average Share Capital per Member, £	Total Turn-over, £	Average Total Turnover per Member, £	Turnover in Eggs and Poultry, £	Average Turnover in Eggs and Poultry per Member, £
Anglesey Egg Collecting Depot	821	1,660	2.0	15,600	19.0	15,600	19.0
Boarminster and Dt. Collecting Depot	207	334	1.6	7,751	37.5	7,751	37.5
Blackdown and Thorncombe Collecting Depot	9	148	16.5	885	98.3	885	98.3
Boncath and Dt. Poultry and Produce Society	254	172	0.7	3,129	12.3	3,129	12.3
*British Egg Producers	398	1,706	4.3	18,654	47.0	18,654	47.0
Burwarton Poultry Society	134	1,066	7.9	5,578	41.6	2,177	16.2
Chipping Norton and Dt. Collecting Depot	128	69	0.5	958	7.5	958	7.5
Criccieth and Dt. Produce Society	236	304	1.3	2,748	11.6	1,652	7.0
Devizes and Dt. Poultry Association	526	266	0.5	18,687	35.5	18,687	35.5
East Devon Agric. Produce Society	140	348	2.5	7,435	53.1	5,757	41.1
Fairford and Cirencester Egg Coll. Depot	545	1,401	2.6	9,138	16.6	9,138	16.6
Framlingham and Eastern Counties Co-op. Egg and Poultry Society	5,537	14,638	2.6	160,822	29.0	160,822	29.0
Iale of Wight Egg and Poultry Supply Depot	44	94	2.1	3,179	72.25	2,799	6.3
Nailsworth Poultry Society	197	86	0.4	4,669	23.7	4,669	23.7
Newbury and Dt. Co-op. Poultry Society	100	142	1.4	814	8.1	814	8.1
St. Austell and Dt. Co-op. Egg and Poultry Soc.	73	82	1.1	890	12.2	890	12.2
St. Gennys and Dt. Produce Society	97	87	0.9	1,886	16.4	1,492	15.4
Stamford and Dt. Co-op. Egg and Poultry Society	418	464	1.1	9,664	23.1	9,648	23.1
Street, Castle Carey and Dt. Collecting Depot	1,450	1,671	1.2	21,951	15.1	18,495	12.8
Underley Poultry Keepers' Institute	111	142	1.3	654	5.9	654	5.9
Totals	11,425	24,880	2.2	294,792	25.8	284,071	24.9

* This is not a local Society; it is a London selling agency for local societies.

† Wound up during 1924.

Note.—The following societies were registered during 1923:—Haverfordwest Egg Depot; Surrey Co-operative Egg Society; and 1924:—Churt & Dist. Egg Farmers' Assn.; Co-operative Poultry Products; East Sussex Egg & Poultry Society; Newport (Femb.) Egg Producers; North Hants Poultry Co-operative Society. The Granston Egg Collecting Depot which was operating in 1923 has not been included in the above table as it subsequently ceased operations.

TABLE VI.—Societies Marketing Eggs and Poultry, but not as the Main Purpose of the Society.

Society.	Number of Members.	Total Turnover.	Turnover in Eggs and Poultry.	Average* Turnover in Eggs and Poultry per Member.
		£	£	£
Allendale Farmers	327	26,111	240	0·7
Backwell Nailsea and Dt. Agric. Co-op. Soc.	110	4,164	1,126	10·2
Brandsby Agric. Trad. Society	684	59,393	450	0·7
Clynderwen and Dt. Farmers' Society	1,202	77,476	4,622	3·8
Cornwall County Farm and Dairy Co-op. Soc.	122	24,667	3,250	26·6
Dunster Williton and Dt. Agric. Co-op. Society	328	10,898	1,298	4·0
Eifionydd Farmers' Society	761	49,838	6,800	8·9
Elham Valley Agricultural Co-op. Society	39	3,619	953	24·4
Frampton and District Growers	74	1,636	129	1·7
Harpندن Dairies	13	17,567	477	36·7
Heathfield and Dt. Poultry Keepers' Association	178	15,556	1,179	6·6
†Kerwick and Cocker-mouth Farmers' Co-op. Society	89	12,596	640	7·2
Ledbury Agricultural Co-op. Society	168	26,887	1,005	6·0
Linfold Farm Dairy, Ltd.	48	22,965	85	1·8
Llanybyther Agric. Society	375	31,155	3,684	9·8
Marshland and Wingland Agric. Trading Society	181	7,059	439	2·4
Midland Dairy Farmers	261	123,823	‡	‡
Northamptonshire Farmers	490	102,207	4,520	—
Oxfordshire Dairy Farmers	15	14,133	807	53·8
Preston and District Farmers	1,488	435,572	11,213	7·5
Southern Counties Agric. Trading Society	940	553,226	17,913	19·1
Wiltshire Agric. Co-op. Society	967	36,423	3,546	3·7
Wykeham and Dist. Milk Producers	26	2,167	215	8·3
TOTALS	8,886	1,659,138	64,591||	7·5

* The figures in the last column are based on the total membership of the society and not on the members supplying eggs and poultry.

† This society is now a depôt of the Lunesdale and District Agricultural Supply Society.

‡ Figures not available.

|| The turnover for one society (‡) is omitted from this total.

TABLE VII.—*Showing certain particulars in respect of the Framlingham and Eastern Counties Co-operative Egg and Poultry Society for the years 1903 to 1924.*

Year.	Member-ship.	Share Capital (paid up).			Sales.	Bonuses distributed.			Eggs purchased.
		£	s.	d.		£	s.	d.	
1903	114	400	0	0	—	—	—	—	
1904	171	755	15	0	5,050	—	—	453,079	
1905	201	940	15	0	6,236	—	—	622,763	
1906	217	980	15	0	8,401	—	—	845,045	
1907	251	1,026	5	0	11,747	—	—	1,592,831	
1908	309	1,292	5	0	14,568	—	—	2,190,097	
1909	372	1,376	0	0	15,049	59	10 1	2,346,983	
1910	429	1,417	0	0	18,136	63	16 0	3,029,113	
1911	511	1,485	0	0	23,981	150	10 3	3,921,836	
1912	643	1,541	15	0	29,038	196	1 7	4,666,920	
1913	671	1,556	5	0	30,393	323	7 8	4,982,828	
1914	751	1,575	15	0	36,497	649	14 4	5,840,146	
1915*	886	1,609	10	0	46,086	852	1 7	6,696,012	
1916	1,091	1,645	5	0	75,071	1,555	16 0	8,582,674	
1917	1,808	3,817	10	0	139,715	1,783	12 4	16,666,846	
1918†	2,365	5,728	5	0	298,791	4,164	8 4	17,163,331	
1919	3,194	8,404	15	0	249,227	2,515	18 7	15,028,972	
1920	4,096	11,539	5	0	323,151	4,050	3 6	20,334,706	
1921	5,091	13,257	15	0	282,353	3,199	10 10	24,146,059	
1922	5,373	14,072	15	0	194,804	3,240	11 4	22,327,712	
1923	5,585	14,638	5	0	160,822	2,265	9 2	20,962,569	
1924	5,901	14,649	10	0	173,753	1,531	6 3‡	22,095,957	

Note.—It will be seen from the above that the Society has since its inception handled no less than 204,496,484 eggs.

* 9 Months.

† 15 Months.

‡ Subject to confirmation.

TABLE VIII.—*The Method of Disposal of Eggs by Certain Societies.*

Society.	Sales to Whole-salers.	Sales to Re-tailers.	Sales to Con-sumers.
Anglesey Egg Collecting Depot	15	85	—
Boncath and Dist. Poultry and Produce Soc.	100	—	—
Burwarton Poultry Society	17	68	15
Chipping Norton & Dist. Collecting Depot	100	—	—
Devizes and Dist. Poultry Soc.	1.5	98	0.5
Dunster Williton and Dist. Agric. Co-op. Soc.	53	12	35
East Devon Agric. Produce Soc.	50	40	10
Fairford and Cirencester Egg Collecting Depot	4.25	50.75	45.
Framlingham and Eastern Counties Co.-op. Egg and Poultry Soc.	25	63	12
Ile of Wight Egg and Poultry Supply Depot	15	85	—
Heathfield and Dist. Poultry Keepers Assn.	—	100	—
Nailsworth Poultry Soc.	100	—	—
Newbury and Dt. Co-op. Poultry Assn.	—	80	20
St. Austell and Dist. Co-op. Egg and Poultry Soc.	98.25	1.75	—
St. Gennys and Dist. Produce Assn.	—	100	—
Stamford and Dist. Co-op. Egg and Poultry Assn.	40	46	14
Underley Poultry Keepers' Institute	100	—	—

TABLE IX.—Societies Marketing Fruit and Vegetables.

Society.	Number of Members.	Share Capital.	Average Share Capital per Member.	Total Turnover.	Average Total Turnover per Member.	Turnover in Fruit and Vegetables.	Average Turnover in Fruit and Vegetables per Member.
		£	£	£	£	£	£
Criccieth and District Produce Society	236	304	1.3	2,748	11.6	1,000	4.2
††Deeping St. Nicholas Trading Society	24	66	2.8	1,494	62.3	716	—
††East Anglian Farmers	100	1,065	10.6	15,744	157.4	15,744	157.4
†East Devon Agricultural Co-operative Society	570	11,749	20.6	47,616	83.5	3,928**	—
†East Grinstead District Producers	126	381	3.0	3,807*	30.2*	3,807*	30.2*
Gloucester Fruit & Vegetable Co-operative Marketing Growers Sales (Coventry)	289	4,659	23.0	48,261	167.0	48,261	167.0
†Kent and Sussex Farmers	204	1,698	8.3	39,857	195.4	39,857	195.4
†Littleton and Badsey Growers	228	680	3.0	14,315	62.8	10,759	47.1
†Marchland & Wingland Agric. Trading Society	181	556	3.1	8,059	44.5	1,813	—
Norfolk Farm and Garden Producers	51	39	0.8	2,592	50.8	2,592	50.8
Pershore Co-operative Fruit Market	609	10,721	17.6	65,112	106.9	65,112	106.9
Potter Heigham Fruit Growers Co-operative Assn.	45	11	0.2	1,921	42.7	1,921	42.7
Shropshire Produce Co-operative Society	216	1,213	5.6	16,998	78.7	16,998	78.7
†South-West Lancashire Farmers	172	13,285	77.2	55,912	325.1	22,758	132.3
Tunmar Valley Fruit Growers Assn.	99	20	0.2	1,851	18.7	1,851	18.7
Welford-on-Avon Growers Assn.	88	16	0.2	3,534	40.2	2,602	28.5
†Worcestershire Farmers	722	13,754	19.1	89,284	123.7	27,926	—
Totals	4,548	83,104	18.3	508,988	111.9	301,932	66.4

* The figure £3,807 entered under Turnover represents commission.

† These five societies are general trading societies. The turnover in Fruit and Vegetables per member has not been given as the turnover bears no relation to the total membership of the societies.

†† The average turnover in fruit and vegetables for the year ended 31st December, 1924, was £111. The figure £58.5 was supplied by the Society.

‡ Very few members of this society consign produce for sale, the average turnover per member must therefore be read with reserve.

† These two Societies mainly handle potatoes.

** The fruit and vegetable department of this Society is now closed.

TABLE X.—*Pershore Co-operative Fruit Market.*

Year.	Capital.	Bonus paid to Members.	Number of Members.	Reserve Fund.	Turnover.
	£	£		£	£
1909	916	Nil	126	Nil	4,721
1910	1,077	Nil	129	Nil	8,739
1911	1,091	59	131	Nil	10,800
1912	1,096	139	145	23	14,817
1913	1,098	314	196	77	24,614
1914	2,208	154	303	192	22,762
1915	2,248	315	310	252	34,822
1916	2,277	662	323	383	45,954
1917	2,277	1,931	362	340	81,857
1918	3,484	2,475	438	1,373	108,255
1919	4,500	2,892	477	2,263	139,408
1920	6,871	2,844	596	3,294	164,723
1921	11,149	Nil	607	2,944	90,262
1922	10,806	353	613	2,944	84,576
1923	10,721	516	609	3,090	65,112
1924	10,649	973	602	3,432	75,980

TABLE XI.—*Littleton and Badsey Growers.*

Year.	Members.	Share Capital.	Sales.		
			Agric. Req.	Fruit, &c.	Herbs.
		£	£	£	£
1908	8	—	—	—	—
1909	95	114	5,308	*	—
1910	99	134	4,864	*	—
1911	100	144	3,476	*	—
1912	100	144	1,719	*	—
1913	102	146	3,112	*	—
1914	105	149	538	2,574	—
1915	110	154	814	4,019	223
1916	120	178	1,106	3,788	1,763
1917	145	230	1,667	8,896	6,104
1918	175	478	1,757	13,485	3,305
1919	182	556	3,236	8,937	1,097
1920	188	621	3,993	15,870	—
1921	202	665	3,672	6,598	—
1922	215	686	3,769	10,496	—
1923	219	690	3,556	10,759	—
1924	230	696	21,288		—

* In these cases the figures for Fruit, &c., Sales are included in the figures for Agricultural Requisites Sales.

TABLE XII.—Societies Formed Mainly for the Purpose of Owning or Controlling Livestock Auction Marts.

Society.	Membership.	Share Capital.	Average Share Capital per Member.	Total Turnover.	Average Total Turnover per Member.
		£	£	£	£
Aberystwyth Farmers' Mart -	71	71	1.0	3,245 (f)	45.7
Devils Bridge Auction Mart -	86	271	3.2	13,817	160.7
Henley-in-Arden Auction Sales	108	980	9.1	94,081	871.1
Kidwelly & District Farmers' Mart -	293	293	1.0	95 (e)	(d) —
Marple Chinley & District Farmers' Trading Society -	28	570	20.4	37 (e)	(i) —
Melton Mowbray & District Farmers' Assn. -	448	3,793	8.5	204,303 (k)	456.0
Nelson & District Farmers' Market Association(h) -	39	860	22.1	15,000	384.6
Penkridge Farmers' Auctions -	34	615	18.1	41,101	1208.9
Pickering & District Farmers' Auction Mart -	58	436	7.5	14,495	249.9
South West Wales Farmers' Marts & Sales Assn.(g) -	8	2	0.25	—	—
Talybont & District Farmers' Markets Assn.(h) -	172	1,700	9.9	29,000	168.6
Winchcombe Co-operative Auction Mart -	39	1,200	30.8	11,045	283.2
York & District Farmers' Auction Mart -	394	4,424	11.2	106,340	269.9
TOTAL - - -	1,778	15,215	8.6	532,559	—

Note.—The following general trading societies operate a livestock auction mart as a subsidiary department of their general trading.

Society.	Value of Livestock handled during 1923.
	£
Allendale Farmers - - - -	6,487(a)
Kent and Sussex Farmers - - - -	288,000
Newark Farmers - - - -	43,437(b)
Northern Agricultural Co-op. Assn. - - - -	51,470(c)
Staffordshire Farmers - - - -	160,000
TOTAL - - - -	549,394
GRAND TOTAL - - - -	1,081,953

(a) Commission during year was £104.

(b) 1922 figures. Mart closed during greater part of 1923 owing to Foot-and-Mouth Disease.

(c) Market was closed from November 30th, 1923, to July, 1924, owing to Foot-and-Mouth Disease.

(d) Value of livestock sold £300-£400 fortnightly.

(e) Commission.

(f) 1922 figures. No trade in 1923.

(g) Has not traded since registration.

(h) Auctioneer pays Society for privilege of selling at Mart.

(i) Value of livestock sold weekly averages £300.

(k) This figure represents total receipts.

TABLE XIII.—Societies Selling Livestock, usually on Commission, on behalf of Members, at Non-Co-operative Auctions or by Private Treaty.

Society.	Membership.	Share Capital.	Average Share Capital per Member.	Total Turnover.	Average Total Turnover per Member.	Value of Livestock handled.
Blackpool and Fylde Farmers' Pure Milk Supply Assn. - -	42	£ 1,826	£ 43·5	£ 53,265	£ 1,268·2	£ 660
Brandsby Agricultural Trading Assn. - -	684	11,891	17·4	59,393	86·8	1,452
Cornwall Farmers -	576	16,055	27·9	154,714	268·6	407
Eastern Counties Farmers' Co-operative Assn.	3,163	66,085	20·9	876,870	277·2	365,033
Ledbury Agricultural Co-operative Society -	168	5,153	30·7	26,887	160·0	4,698
Melton Mowbray Dairy Farmers - - -	48	1,634	34·0	14,811	308·6	1,259
Midland Dairy Farmers	261	19,889	76·2	123,823	56·8	*
Stathern and District Dairy - - -	40	1,294	32·4	14,349	358·7	561
Yorkshire Farmers -	792	39,271	49·6	335,344	423·4	1,058
Total - - -	5,774	163,098	28·2	1,659,456	287·4	375,128†

* Figures not available.

† The turnover for one society (*) is not included in this total.

TABLE XIV.—Societies Formed to Operate Co-operative Slaughterhouses.

Society.	Number of Members	Share Capital.	Average Share Capital per Member.	Turn-over.	Average Turn-over per Member.
		£	£	£	£
Didcot Co-operative Slaughterhouse - - -	44	2,238	50.9	4,036	91.7
*Hants Farmers' Co-operative Abattoirs and Bacon Factory -	290	9,665	33.3	†44,920	154.8
Mid-Gloucester Farmers	109	3,564	32.7	60,903	558.7
Plymouth and District Farmers - - -	189	3,283	17.4	53,486	282.9
South Wales Farmers Co-operative Abattoirs	168	869	5.2	70,371	418.9
Tweedside Farmers' Co-operative Slaughterhouses - - -	54	4,470	82.8	76,373	†
Total - - -	854	24,089	37.05	310,089	363.1

NOTE.—The following general trading societies operate a slaughterhouse in addition to the general trade in requisites.

Society.	Slaughterhouse Turnover.
	£
Berks, Bucks and Oxon Farmers - - -	15,843
Eastern Counties Farmers' Co-operative Assn. - - -	37,258
North Devon Farmers - - -	10,870
Tees-Side Farmers' Assn. - - -	30,883
West Devon and North Cornwall Farmers - - -	10,327
Total - - -	105,181
GRAND TOTAL - - -	415,270

* This society also owned a bacon factory till March, 1924. In that year the two businesses were separated, the bacon factory becoming the Four Counties Bacon Factory (see p. 123).

† This sum does not include the turnover of the bacon factory.

‡ This society purchases considerable numbers of stock from non-members. The turnover per member has therefore been omitted.

TABLE XV.—*West Devon and North Cornwall Farmers. General results of the Holsworthy Slaughterhouse for 1923–1924.*

Year.	Month.	Pigs.	Sheep.	Bullocks.	Loss.	Profit.
1923	September -	8	90	1	£ s. d.	£ s. d.
	October -	24	257	1	—	10 4 9
	November -	56	460	1	4 8 10	24 2 11
	December -	70	180	2	6 14 0	81 9 0
1924	January -	72	149	3	1 6 9	25 2 11
	February -	49	80	1	12 3 10	19 15 2
	March -	8	8	1	3 1 11	19 12 0
	April -	13	26	2	—	4 11 6
	May -	10	63	3	0 7 0	3 1 1
	June -	4	191	1	1 16 11	5 0 0
	July -	4	128	3	2 13 10	18 11 5
	August -	9	75	2	0 5 8	9 6 4
	September -	62	196	2	3 7 8	6 3 0
	October -	113	289	1	0 12 8	33 11 7
	November -	98	709	1	0 10 0	50 18 5
	December -	149	745	2	24 15 10	58 17 7
Total -		749	3,646	27	11 19 6	114 15 7
					Profit* -	485 3 3
						410 18 10

* Appropriate allocation of the society's clerical overhead charges to slaughterhouse department have not been deducted from profits shown.

TABLE XVI.—*West Devon and North Cornwall Farmers. Holsworthy Slaughterhouse.*

Year.	Livestock Slaughtered.					Sales.		Average per Head Slaughter and Headage Charges.
	Calves.	Pigs.	Sheep	Cattle	Total.	Meat and Offals.*	Skins.†	
1920	35	424	11,293	65	11,817	£ s. d.	£ s. d.	s. d.
1921	72	1,500	26,908	50	28,530	17,906 19 0	3,045 17 5	1 3·63
1922	14	1,144	19,942	39	21,139	6,264 9 9	1,224 4 5	1 2·14
1923	24	1,891	17,210	90	19,215	3,099 14 11	4,459 7 8	0 11·27
1924	33	3,647	18,738	154	22,572	4,455 12 9	3,970 15 0	0 11·18
						9,509 4 3	5,880 18 5	0 11·18

* Represents society's trade with members.
† Represents society's total trade in skins.

TABLE XVII.—*Societies formed to Operate their own Bacon Factories.*

Society.	Number of Members. (1923).	Share Capital. (1923). £	Share Capital per Member. (1923). £	Total Turnover.		Average Total Turnover per Member. £
				1923. £	1924. £	
Hampshire Farmers' Co-op. Abattoirs and Bacon Factory*	290	9,665	33·3	29,729†	33,288¶	114·8
Herts. and Beds. Co-op. Bacon Factory - - -	328	12,062	36·8	81,006	91,387	278·6
St. Edmundsbury Co-op. Bacon Factory - - -	1,584	28,311	17·9	275,613	306,486	193·5
Kent, Surrey and Sussex Farmers' Bacon Factory‡	724	21,977	30·4	—	67,300	93·0
Lincolnshire Co-op. Bacon Factory§ - - -	706	10,892	15·4	—	52,000	73·7
Oxfordshire Farmers' Co-op. Bacon Factory || - - -	575	6,067	10·6	—	144,365	251·1
TOTAL - - -	4,207	88,974	21·2	386,348	694,826	165·1

* Now known as Four Counties Bacon Factory. The slaughterhouse was separated in March, 1924, and is now known as The Hants Abattoirs, Ltd.

† This figure does not include turnover for abattoir.

‡ This society did not commence operations until 12.11.1923.

§ This society did not commence operations until 21.1.1924, its membership at the end of that year was 797.

|| This society did not commence operations until 10.12.1923.

¶ This figure is provisional; the accounts of the society for the year not yet having been audited.

TABLE XVIII.—*Societies formed Solely to Market Wool for Members.*

Society.	Number of Members, 1924.	Share Capital, 1924. £	Average Share Capital per Member, 1924. £	Fleeces handled.	
				1923.	1924.
Kent Wool Growers -	501	1,700	3·4	95,000	110,000
Ryeland Wool Growers -	105	595	5·6	9,000	10,000
Southdown Wool Society	252	1,395	5·6	Nil	65,000
TOTAL - - -	858	3,690	4·3	104,000	185,000

TABLE XIX.

The following General Trading Societies handled wool :—

Society.	Fleeces Handled.
	1923.
Brandsby Agricultural Trading Assn. - - -	4,120
Cornwall Farmers - - - - -	14,834
Eastern Counties Farmers' Co-op. Assn. - - -	3,956
Lincolnshire Farmers' Co-op. Assn. - - - -	6,200
Newark Farmers - - - - -	3,500
South Shropshire Farmers - - - - -	300,000*
Staffordshire Farmers - - - - -	16,000
West Devon and North Cornwall Farmers - - -	10,000
West Hereford and Radnor Farmers - - - -	7,100
Western Farmers - - - - -	6,000
TOTAL - - - - -	364,700

* Includes the wool handled by West Hereford and Radnor Farmers, Ltd.



MINISTRY OF AGRICULTURE AND FISHERIES.

Report

upon

Large Scale Co-operative Marketing in the United States of America.

BY

R. B. FORRESTER, M.A., M.Com.

(Cassel Lecturer in Commerce in the University of London.)

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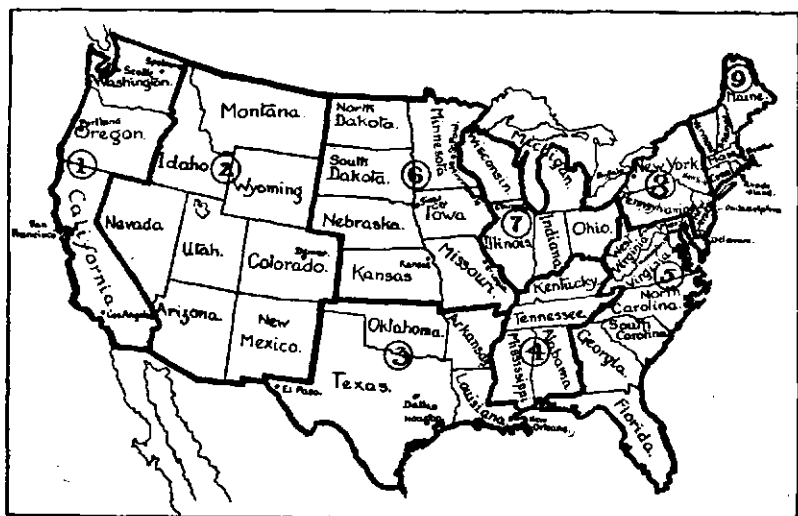
INTRODUCTORY NOTE.*June, 1925.*

In this report upon the Structure and Organisation of Large Scale Co-operative Marketing in the United States of America, I desire to say that the survey is strictly limited to an examination of the leading types of organisation and is in no sense meant to be an exhaustive or complete appreciation of the Co-operative Marketing Movement in the U.S.A. All investigation of the business situation of individual associations over a series of years and the large mass of small scale co-operation have been necessarily omitted; account would require to be taken of such aspects of the movement before attempting to assess the value of the work done. The material has been collected, arranged and analysed wholly with a view to casting into relief the constructive ideas which are being worked out in the organisation of the large scale co-operative.

I desire to express my keen appreciation of the kindness and help given to me by the officials of the Federal Department of Agriculture through the good offices of the late Mr. Henry C. Wallace, former Secretary of Agriculture. I am also deeply indebted to the managers and secretaries of large scale co-operatives, and other leaders of the farming community throughout the United States who were generous in giving me their time and in discussing with me the chief problems which confronted their organisations.

(Signed) R. B. FORRESTER.

MAP of U.S.A. showing Statistical Divisions employed in the Tables.



KEY TO MAP.

The delimitation of the regional titles employed by the U.S. Department of Agriculture is given on the accompanying map, and the States included in each section are quoted below.

1. Pacific.

Washington
Oregon
California

2. Mountain.

Montana
Idaho
Wyoming
Colorado
New Mexico
Arizona
Utah
Nevada

3. West South Central.

Arkansas
Louisiana
Oklahoma
Texas

4. East South Central.

Kentucky
Tennessee
Alabama
Mississippi

5. South Atlantic.

Delaware
Maryland
Virginia
West Virginia
North Carolina
South Carolina
Georgia
Florida

6. West North Central.

Minnesota
Iowa
Missouri
North Dakota
South Dakota
Nebraska
Kansas

7. East North Central.

Ohio
Indiana
Illinois
Michigan
Wisconsin

8. Middle Atlantic.

New York
New Jersey
Pennsylvania

9. New England.

Maine
New Hampshire
Vermont
Massachusetts
Rhode Island
Connecticut

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CHAPTER I.—THE ECONOMIC BACKGROUND.

Reasons for Drawing Attention to Co-operative Marketing in U.S.A.

The co-operative marketing of farm products is not a "side show" in agricultural organisation in the United States of America; it is part of the main stream of constructive ideas which is being directed to the development of better and more efficient methods of marketing produce and to the co-ordination, regularisation, and control of marketing functions and processes, whether considered from the standpoint of farmer, producer or city consumer.

As such, the movement has become one of the dominant features in American Agriculture and finds its setting in the working conditions of farm production in that country. While the ideas have their special application to the situation in the U.S.A., fundamentally many of these problems of marketing are similar in all developed industrial countries and the experience of one cannot be rejected as having no relevance to the conditions of another country.

The rapid growth and expansion of co-operative marketing associations within recent years in the U.S.A. reveals a new type of organisation competing in many fields with some measure of success, against the established system of merchants and intermediaries, and handling an increasing volume and value of the total produce sold off American farms. The responsible and serious character of the marketing services which these associations render to their members in local and central markets marks them out as much more significant than the localised societies which are the predominant British type; examples can be cited of societies dealing on a large scale with problems of surplus production, speculative sale, monopoly, and control of supply; a familiar field of endeavour is the attempt to raise the quality of farm products through standardisation, grading, and inspection and by paying special attention to the utilisation of by-products and low grade products. In facing such problems, the associations have developed different types of organisation with varying structures local, centralised, and federal. Widespread experimentation has taken place in the effort to produce a sound business relationship between members and the associations and this is seen in the growth of the system of membership contracts, in arrangements for pooling supplies of commodities and in the price policy of the associations towards their members. Some distinctive features have appeared in the methods of capitalisation employed, particularly those of the so-called non-stock non-profit enterprises, and a large number of organisations have had to work out ways of financing their produce by means of warehouse receipts and similar systems which, while they are not yet entirely satisfactory, present ingenious ideas in co-operative marketing finance.

This survey may be most conveniently begun by directing attention to certain features of agricultural development in the U.S.A. which assist in giving some appreciation of the atmosphere and outlook of co-operative marketing both in its theory and in its practice.

A.—Recent Development of American Agriculture.

The Rapidity of Expansion of American Farming since 1870—The Uneven Ebb and Flow of Activity—Reaction upon Marketing.

A factor which has influenced the development of marketing services and organisation in the U.S.A. is the intensely rapid expansion of agricultural production since the Civil War. It is customary to trace recent developments in three periods (1) the Westward Expansion, 1865 to 1888, (2) the period of re-organisation 1888 up to the European War, (3) the War disturbance and post-war readjustments.

The features of the Western Expansion may be summarised in the following quotations; "the Homestead Laws of 1862 and 1864, the disbanding of the armies, the invention of the twine binder, the roller process of manufacturing flour, the building of the trans-continental railroads, the permeation of every nook and corner of the Mississippi Valley by the so-called Granger Roads, and the development of the immense cattle ranches of the far west."* During the decade 1870 to 1880, over 297,000 square miles, a territory equal in extent to Great Britain and France combined, were added to the cultivated area of the U.S.A. This increase in the cultivated area was made possible (1) by the increasing effectiveness of labour when it was equipped with the improved machinery which had come into use, (2) partly by the westward migration of the native population, and (3) partly by the enormous immigration, which was estimated at 3 millions between 1870 and 1880 and 5½ millions between 1880 and 1890. The results of this unprecedented increase in the output of agricultural produce was a rapidly increasing export of foodstuffs and raw materials and a series of economic disturbances connected with the grant of free land, the absorption of a pioneer farming population and a depression in agricultural prices which upset the older ideas of stability and equilibrium of results and costs in farming. It is the waves of agricultural discontent due to this ebb and flow of development which lie at the root of the great farmers' movements already mentioned and which directed attention among other problems to marketing and producers co-operation.

The improvements in railroad transportation with their new systems of handling grain, and live stock, the coming of the refrigerator car and the building of great elevators, where grain could be graded, handled and stored, meant a total change in

* Carver: "Elements of Rural Economics," p. 71.

the conditions of the home and foreign markets of the U.S.A.; in particular they involved the rapid growth of a system of intermediaries to connect the Western consumer with his far distant markets.

"About the year 1888,"* says Carver, "began a series of changes which produced a profound reaction on the whole agricultural situation in the U.S.A." A beginning was made with a more comprehensive and systematic application of the principles of experimental science to agriculture. Again the pioneering period was drawing to a close because of the practical exhaustion of the supply of free public lands; that is, the supply of public lands which could be immediately reduced to cultivation by the settler without much previous expenditure of capital and labour. The transition from extensive to intensive farming became more distinct as land values began to rise and the problems connected with irrigation farming and land drainage came into prominence. The Western type of cattle ranching began to decline in its relative importance and the character of the wheat belt commenced to change since wheat, which was most economically raised under the extensive cultivation of frontier agriculture, was not necessarily the crop which suited conditions of more intensive farming and crop rotation. It is obvious that this gradual consolidation of the agricultural position and the growing prominence of more intensive methods of cultivation would react upon the marketing methods, since wheat and cattle produced under frontier conditions would not raise the same marketing problems as the output of farmers whose methods of production had to be adjusted to the continuous raising of a number of crops.

Another feature of the situation which requires mention is the relation of land-ownership and tenancy in the U.S.A. The characteristic system of land tenure among American farmers has been that of ownership. This has been a natural result of two factors, cheap land and dear labour; with the exhaustion of the supply of free land, a change has set in and the number of tenant farmers in comparison with that of occupying owners is increasing; the figures given in the census statistics of tenancy were in 1880, 25·56, in 1890, 28·4, in 1900, 35·3, in 1910, 37·0 and in 1920, 38·1 per cent. of the total number of holdings. The main significance of the system of land tenure in its influence upon marketing organisations is said to be that the standard of farming is poorer among tenants and that they move so rapidly from farm to farm that they acquire no deep interest in community organisations. American observers do not usually place emphasis upon the basis for credit provided by land ownership and there appears to be no substantial reason for thinking that the system of land ownership has acted as a special stimulus to the growth of co-operative marketing associations; the degree to which ownership of land influences the finance of societies appears to

* Carver: "Elements of Rural Economics," p. 79.

be very slight, although mortgages over crops seem to have interfered with the delivery of produce to co-operative marketing associations. A brief reference to recent tendencies in the distribution of farms between landownership and tenancy may place this question in reasonable perspective. As reported by the Census of 1920, there were 3,925,090 owners who worked their own holdings, of which at least 1,461,306 had mortgages upon their farms, and this latter number is believed to have risen greatly after 1920. Farms operated by managers and tenants numbered 2,523,253. The intensity of tenancy is very pronounced in the South and South East, the percentages being Texas, 53·3, Louisiana, 57·1, Mississippi, 66·1, Alabama, 57, Georgia, 66·6, South Carolina, 64·5, Oklahoma, 51, Arkansas, 51·3, but the North and West show percentages mainly between 10 and 25. The causes of the development of tenant farming are the effect of the laws of inheritance and bequest, the retention of ownership of land by farmers after retiring from active work, the temporary renting of land to sons and other heirs, financial considerations which cause people to purchase or to retain land which they are not to work; an increase in the price of land may come to be the basis of an investment demand for land and on the other hand it may prevent actual farmers from buying it. Large estates have been found to produce a tendency to tenant farming and difficulty in procuring hired labour of the requisite quality has a similar effect. Further, renting provides a method by which younger farmers may gain experience before proceeding to ownership and a means by which men experienced in the agriculture of other countries may accustom themselves to the conditions of the U.S.A. It seems clear that much of the tenancy is not upon the same footing as in England and Wales where the system is associated with high-grade farming and settled rural life.

The war disturbance and the post-war adjustments may be briefly noted. The influence of high prices caused U.S.A. farmers to expand their output of agricultural produce, to abandon many policies of permanent farm organisation, soil maintenance and rotation of crops which had shown indications of becoming established in the pre-war period. This abnormal factor continued up to 1920 when the collapse arrived and the fall in agricultural prices became precipitate. The course of events both in the boom and in the depression forced the attention of producers to marketing problems and the years since 1919 have been very active in the launching of new co-operative enterprises, besides being fertile in measures designed to give temporary relief to the agricultural community.

B.—Attitude of Farmers towards Organisation for Economic Ends.

The Attitude of Farmers towards Organisation for Economic Purposes—The Chief Farmers' Movements—The Grange—The Farmers' Alliance—The Society of Equity—The Farmers' Educational and Co-operative Unions of America—The American Farm Bureau Federation—The National Council of Farmers' Co-operative Marketing Associations—Marketing Programmes.

There is a definite traditional trend towards organisation for economic purposes among farmers in the U.S.A. The general fall which took place in the prices of farm products after the Civil War prepared producers to consider organisation for the furtherance of their business interests, and the interest of farmers in marketing problems can be traced in the statements and programmes of the chief farmers' movements during the past half century. In the declaration of purposes adopted by the National Grange in 1874, the following general statement appears: "We propose meeting together, talking together, working together, buying together, selling together, and in general, acting together for our mutual protection and advancement, as occasion may require."* The efforts of the Grange were often directed to attempts to control markets, particularly in connection with the supply of wheat. A second notable movement, the Farmer's Alliance, never became a great social factor among farm people but concentrated its attention upon prices, monopolies, political grievances and their remedies. According to the best available records this organisation began in Texas in 1874-75, but it was some years before it settled down to an economic programme which included State purchasing agents, stores, elevators, co-operative buying and a small amount of co-operative selling. The leading demands in its platform in 1889 and 1890 were three, and of these, two pertained to the marketing of farm products. Both the Grange and the Farmers' Alliance were inclined to deliver broadsides at marketing evils in general and this, with an admixture of very doubtful economic thought, made their efforts somewhat ephemeral. The American Society of Equity formed in 1902 had also as its basic idea the control of markets. "Instead of studying ways and means of increasing the wheat crop, for example, it sought to induce the building of granaries, warehouses, and elevators; to organise finances so as to build for a higher price when price levels were low; and to market co-operatively, economically, when the proper time arrives for making sales."† Among the purposes outlined are the following:—

- (1) To obtain profitable prices;
- (2) To encourage the building of co-operative elevators, warehouses, etc., at local points, and also eventually at the central markets;

* West: "Agricultural Organisation in the U.S.A.," p. 366.

† Hibbard's: "Marketing Agricultural Products," p. 231.

(3) To establish exchanges for handling produce and supplies; (4) To secure and to disseminate information concerning markets and marketing facilities; (5) To secure legislation favourable to farmers.

The Equity did actually inspire, direct, and organise live stock shipping associations, potato and produce companies, elevators and so on. A second organisation was the Farmer's Educational and Co-operative Union of America, starting in Texas in 1902. The preamble to its constitution states among its aims, the securing and maintaining "of profitable and uniform prices for grain, cotton, live-stock, and other products of the farm." Another clause condemns the work of boards of trade, cotton exchanges, and speculation in general. Its actual efforts included attempts to control the minimum price of raw cotton, the building of warehouses and the arrangement of credit. The Union has been instrumental in starting live-stock commission houses, cotton gins, stores, fertiliser plants, and similar undertakings. The Non-Partisan League which had its origin in the Middle West has been characterised as an attempt to create a class conscious movement among farmers against organised business; specifically it has been opposed to grain exchanges, to the large packers, to the bankers, and it has been critical in its attitude to the railroads. The main purpose is the reorganisation and reform of markets and almost the whole of its somewhat elaborate programme touches this issue. It demands for example :—

(1) State ownership of terminal elevators, flour mills, packing houses, and cold storage plants; (2) State inspection of grain and grain dockage; (3) Exemption of farm improvements from taxation; (4) State hail insurance on an acreage tax basis, and (5) Rural credit banks operated at cost.

A further movement which requires special mention because of its relation to the co-operative marketing associations, is the American Farm Bureau Federation. This organisation found its origin in the Smith-Lever Act of 1914, which provided for the appointment of county agricultural agents; these officers were paid from Federal funds, State funds, and the subscriptions of farmers, and were public employees; the tendency has been, however, for control of the work of the agents to rest with the farming group which provided the greater portion of the funds; the farmers have thus come to be the dominating factors both from the side of finance and because it was for the solution of their problems that the whole programme was instituted. In general the county unit is the basis of local organisation, county farm bureaux may then federate into State federations and into a National Federation, which according to the constitution consists of State farm bureau federations and State agricultural associations based upon the farm bureau or similar plan where

approved by the executive committee of the organisation. The development of the work of these agents is illustrative of the way in which buying and selling come to the front in U.S.A. farmers' organisations. At first the officers were designed to meet the need for scientific advice in relation to farming and to advise upon methods of production. The course of events swung the organisation round so far to a consideration of the business aspects of the agricultural position that observers rank marketing policy among its chief aims at least from 1919 onwards. The following are its chief objects in this field. (1) To extend co-operative marketing of crops to that point in the distribution system where the maximum benefits are secured for the producer, and, incidentally, for the consumer; (2) to limit the profits and reduce the costs of distribution in all lines not handled co-operatively; (3) so to estimate the world supply of any farm product and so to regulate the flow to market as to eliminate sharp and extreme price fluctuations; (4) to establish new foreign markets for surplus American farm products.

The farm bureau is also particularly associated with what is called the commodity marketing plan and it has acted as foster parent to a large number of marketing associations.

The most recent organisation is the National Council of Farmers Co-operative Marketing Associations which claims to represent through its constituent member associations at least 600,000 farmers and was formed in 1923. Its aims are—

- (1) to establish contacts between co-operative marketing associations and to enable such associations to consider and handle common problems directly affecting them;
- (2) to supply information regarding co-operative marketing;
- (3) to develop national publicity by special articles or otherwise;
- (4) to consider general policy in regard to legislation and the trend of development in the movement.

This movement is specially associated with commodity marketing plans and expresses particularly the views and outlook of the large scale co-operative enterprise.

It therefore appears that all the leading farmers' movements in the U.S.A. have attached distinct importance to the problems of marketing farm produce and to the protection of the business interests of producers. Despite therefore, the groundswell of ephemeral effort which has characterised many of these movements, they have produced a lasting impression upon farmers' psychology and made them turn to economic solutions of marketing difficulties.

C.—Causes given for the rise of Producers Marketing Associations.

Causes commonly advanced for the Rise of Producers' Marketing Associations—The Chief Marketing Functions and their Significance—Constructive Marketing Policy of Co-operative Enterprise—Control of Quality—Standardising Production—Guidance to Producers—Control of the Flow to Market—Orderly Marketing—Routing Produce to Favourable Markets—Inspection of Goods—Financing Marketing Operations—Bargaining and Price Policy—Utilisation of By-products and other Problems.

The reasons commonly advanced for the launching of co-operative marketing organisations by farmers may be briefly mentioned. The first is expressed in the phrase that "co-operation is born of necessity." More specifically, the occasion may be a period of agricultural depression and low prices, a wide margin between local market prices and terminal market prices, an opinion that much too small a percentage of the consumer's 4 dollar is represented in the net price to the farmer, a difficulty in finding markets where perishable products are concerned, a great difference between car-load and less than car-load freight rates, 7 long distances between producing regions and central markets.

Again the grower may feel that private businesses have taken an undue advantage of the local position and restricted competition and price levels; 7 agreements among local buyers to control prices may exist or may be suspected. A locality may feel on the other hand that it has too many middlemen agencies rendering services since few of them attract a sufficient volume of business to make economical operation necessary. The feeling may grow up that profits are much more easily come by on the marketing and distributing side than on the productive side. In all such cases co-operative organisation is brought into being, often with an attitude distinctly critical and hostile towards all other market agencies, and it may often be said that the initial driving force is the desire to smash a system rather than to cheapen marketing by genuine economy in distributive services.

No sound marketing organisation can be built up in a purely destructive and critical spirit which fails to face the genuine problems with which the middleman agencies are called upon to deal. Hence co-operative marketing associations have on the whole developed a positive and constructive side embodying a marketing policy. While many American organisations owe their origin to a sense of bitterness and irritation among farmers against the intermediary system, it is a very partial generalisation to suggest that the movement is nothing more than a reaction against the middleman on the part of producers. Many societies do not owe their origin to necessity in this sense at all, but to a realisation that certain marketing services can be rendered by groups of farmers more effectively than by individual farmers to themselves, or than by outside private businesses to farmers,

and this side of the movement is coming into prominence; further, these services are such as cannot be undertaken in any effective way by the local type of co-operative association. It will be sufficient for the present to indicate broadly the type of service which is referred to, since the examination of the constructive efforts to perform such functions forms the main subject of this survey.

The Chief Marketing Functions and their Significance.

Marketing, as commonly understood, includes the rendering of some or all of the following services: (1) Assembling; (2) Sorting, sampling, grading, and standardising; (3) Packing; (4) Processing; (5) Transport to market and preservation during transport; (6) Storage; (7) Financing; (8) Distributing.

Assembling.—In the first place assembling, that is the bringing together of produce, is undertaken to obtain a sufficient volume of one type of farm product under a single business management so that economical working may be possible; this applies either to local or central market concentration; few farmers produce such a volume of produce as to make it worth their while to become their own middlemen. Further characteristics of assembling are that it provides variety and a basis upon which to accept adequate orders as well as to obtain savings in freight.

Sorting and Grading.—The service of sorting out products into groups of uniform kind, quality and size, is known as grading. Standardisation aims at making it possible from month to month and from year to year to give permanence to grades. The effect is to give confidence to buyers and to consumers generally, to lessen the volume of waste and in general to pay the farmer according to the quality of his produce, as well as to increase the demand by lowering his costs and by encouragement of the consumer through the sale of a definite article. Grading is also intimately connected with the question of storage since serious waste may arise from storing ungraded produce; it touches directly upon market finance since those who provide money will naturally prefer to provide it in proportion to the speed and ease of movement of definitely classified goods. Grading greatly simplifies marketing and is essential to the enlargement of markets. The creation of uniform high quality products depends upon the farmer's concentration upon quality combined with a proper standardisation of the grades. It is an essential feature in the policy of such countries as New Zealand and Denmark as well as the U.S.A., and it is upon these lines that advertisement has been most successfully applied to stimulate sales.

Packing.—Few farm products arrive in the hands of the consumer without some packing either to facilitate handling or prevent excessive shrinkage or waste; moreover different packing may be required at different points in the distributing process. Experience also shows that packing reduces freights and saves storage costs.

Processing.—The term processing covers (1) the manufacturing or conversion services performed on the raw materials provided by farmers such as making cheese, curing bacon, canning peas, condensing milk, preserving fruit; (2) reduction of the bulk of commodities so as to make them transportable; (3) the conserving of surpluses carried over from seasons of heavy production, and (4) the working up of by-products and the utilisation of low grade products.

It is often a business advantage to conduct these conversion and conserving processes in producing regions, as savings may then be made in handling, despatching, and storing for consumers' markets; again definite processes such as the separation of cotton lint and cotton seed increase the value of the commodity by allowing each product to be served directly to its own market; many perishable products can only be grown in certain short seasons and to supply an all-the-year-round demand processes such as drying, pickling, and so on may be the most effective solution.

Transport.—Transport service need only be mentioned to point out the great variation in the services which may be required to carry different farm products. The factors influencing haulage costs include bulkiness, high or low value in proportion to size or weight, perishability, necessity for protection from heat or cold, length of haul, character of package or container, and the relation of producing and consuming centres.

Storage.—Storage has always been recognised as a fundamental economic service in the smoothing out of supplies; the object being to adjust supplies to the buyers' needs so that price levels are kept steady and even. Such a service involves in many cases the maintenance of business organisation, the use of extensive buildings, machinery, and equipment, and the employment of skilled managers and labour. Storage facilities must be adapted to the character of the products to be held; this may involve regulation of temperature, humidity, and other factors; many farm products require to be converted before they can be held for long periods. On the business side the capacity must be measured by the peak load; since this lasts for a very short time, the overhead charges are based upon an average volume of trade much below the maximum. All policies of feeding the market depend upon the degree to which produce can safely be held either by farmers or other agencies without waste or loss; in particular the view expressed that the farming community loses by unloading its produce upon the market immediately after harvesting, thereby unduly depressing price levels, is connected with the efficiency of storage as well as with the question of the financial strength of the producers. Co-operative marketing associations attach special importance to this function since it is the key to some of their most characteristic developments in pooling of produce and in marketing finance.

Financing.—Either farmers or middlemen must wait for their money until consumers pay for their products and those who do the waiting render the service of financing. Marketing concerns need capital of two kinds: (1) relatively fixed and permanent capital such as is invested in equipment, warehouses, etc., and (2) supplies of working capital required to pay for the products handled or stored, to meet operating expenses, to cope with problems of feeding the market and carrying surplus. The methods by which such funds are obtained either from the shareholders, or from outside sources, or in part from each, and the degree to which it is safe to operate upon borrowed capital is a matter which is of distinct interest.

Distributive.—Without detailing the varying functions of commission houses, wholesalers, and retailers, it may be noted that the significant and characteristic problem in this field is the direction of the product to the most advantageous market; this involves special knowledge and experience unless the produce is to be sent "joy-riding" to some market on the chance that conditions may be favourable. The performance of such work on a basis which is not a rough hit-or-miss plan depends upon knowledge, information, and experience of both productive conditions and consumers' tastes. It calls for a detailed acquaintance with the quantity and qualities of a farm product raised in different districts together with the varying tastes of buyers in consuming districts. The systematic collection and dissemination of information regarding supplies, shipments, sales and prices is necessary as well as a knowledge of the firms and agencies engaged in buying and selling, their reliability and credit standing. There is perhaps no service which the present system of intermediaries has found more difficult to render and where its weaknesses are more obvious. Duplication and lack of co-ordination between marketing concerns, privacy with regard to information as to demand, enterprises too undersized to accept market responsibilities, excessive operating costs for handling commodities, failure to face the problem of surplus and deficit seasons, are all features of this situation.

Keeping in mind these functions of marketing, a preliminary statement may now be made as to where co-operative marketing associations touch these problems.

1. The control of quality may be taken as a leading point. Low prices for a poor product, a poor market for an uneven output, failure to reject waste, and its inevitable sequel, have directed farmers' organisations to place increasing emphasis upon quality and pooling arrangements as well as differential prices to growers designed to favour quality output. The resistance of many producers to this aim is strong and in some cases, such as co-operative grain elevators and livestock shipping associations, little effort is made in this direction.

2. Standardising production. Closely associated with quality control is the question of varieties and types. The conception

of standardisation is to produce so far as possible recognised uniform types and avoid an undue and purposeless increase in variety.

3. Guidance as to the kind of produce wanted and persuasion to act upon this advice are healthy reactions of a well-informed marketing organisation upon its members. In this same group of ideas comes advice as to the area to be planted in order to avoid periods of glut and scarcity in production and the collection of experience as to how far consumers will increase their demand when price falls, or decrease it when price rises; the producers' organisation may have to make up its mind as to what price will shift the whole crop or part of it.

4. Control of the flow to market.—Orderly marketing has almost become a watchword or slogan of the co-operative marketing movement in the U.S.A. It involves the whole question of the adjustment of production and consumption, and a consideration of the view that farmers lose by selling heavily after harvest, or by dumping their produce.

5. Directing produce to favourable markets.—If there is an independent service of private firms and local co-operatives serving certain markets, they are very likely to send too much to one and not enough to another. An agency is therefore needed to report the current needs of each market and an association must be prepared to advise sellers as to where to despatch their goods.

6. Inspection of goods upon arrival and putting them into proper condition before delivery to the buyer or before offering them for sale also requires some agency; and there are the claims against railroads and other corporations for damages, overcharges and unwarranted rejections.

7. Producers' selling agencies.—Just how far farmers' organisations are prepared to take over selling functions is a matter of trial and experience, but except in the case of milk organisations they do not commonly proceed beyond the wholesale or terminal market stage. It is however becoming increasingly difficult to get producers to turn over their output to commission agents and brokers to be sold and yet be satisfied with what they get. Moreover where doubtful practices are checked by means of dealers' organisations, the rates to be charged are likely to be so standardised as to keep many of the less efficient in business.

8. Financing marketing operations.—This service involves an organisation with control of a supply of the commodity and with warehousing facilities and powers of raising and borrowing money. Large scale co-operative organisations can face such responsibilities and have developed methods of marketing finance.

9. Bargaining and price policy.—More people, it has been said, believe in co-operative marketing because of faith that it will rob middlemen of bargaining and monopoly advantages than for any other reason. United States farmers believe they are usually on the losing side in the game of petty bargaining; they are relatively small producers, more or less isolated, not

fully acquainted with market prices or conditions, lacking expertness in the interpretation of the market signs, and having less opportunity than dealers to develop private understandings. The attraction of the large scale co-operative is that it can bargain collectively, it knows its own cards and can play its hand for what it is worth. Naturally the gains of such a policy vary with different commodities; it is commonly believed that milk producers have gained much along these lines since they work in a limited market. The wide-spread feeling is that where buyers are acting in concert, there is little left for sellers to do but to copy their method.

10. Other problems to which marketing associations have devoted attention are (1) the utilisation of by-products, which involves the installation of equipment and the use of working capital; (2) the testing of new ideas in grading, packing, storing, and inquiry into consumption trends, foreign competition, and other business factors; and (3) the attempt to reduce overlapping competition in markets.

The series of marketing problems which has been outlined, shows that on its constructive side the co-operative marketing movement has touched all the main problems of selling organisation at one point or another; quality production, gluts and scarcity, feeding the markets, marketing finance, bargaining, utilisation of by-products. The organisations which it is developing to bear these responsibilities are uneven in their efficiency and achievement but they have grown so far as to represent something practically unknown in British co-operative marketing undertakings and have become strong enough in a few cases to be regarded as alternatives to some portion of the merchant and intermediary system.

Beyond these broad reasons for the development of producers' associations in the U.S.A. there are certain conditions which favour the development of co-operative groups in certain regions, such as concentrated production of one commodity in one area, the need for export to consuming centres, the stability of the rural population, the homogeneousness of the farming community with regard to race, language and sometimes religion, and also the presence of a co-operative law.

CHAPTER II.—THE EXTENT, MAGNITUDE AND LOCALISATION OF THE MOVEMENT.

A.—Extent and Magnitude.

Meaning attached to the term "Co-operative" in the U.S.A.—Progress of Co-operative Marketing—Growth in the Size of Co-operative Units—The Coming of the Large-scale Co-operative—Membership in Relation to Farming Population—Size and Distribution of Societies—Causes and Extent of Failures.

The term "Co-operative" has broadly the same significance in the U.S.A. as in Europe; it bases its tradition upon the Rochdale example as well as upon the experience of Denmark and Switzerland.

It may be provisionally stated that the following ideas or approximations to them are embodied in the working of the enterprise;

- (a) One member, one vote, irrespective of capital holding; (b) membership open to all producers of the commodity; (c) a limited return upon capital where capital stock is raised; (d) control of the management by the members on democratic lines; (e) the association to deal with the produce of its members only; (f) the members to support loyally their own organisation as the sole channel for the sale of their produce and to provide an assured supply; (g) all economies and savings in marketing to be returned to members in proportion to the degree in which they make use of their own organisation.

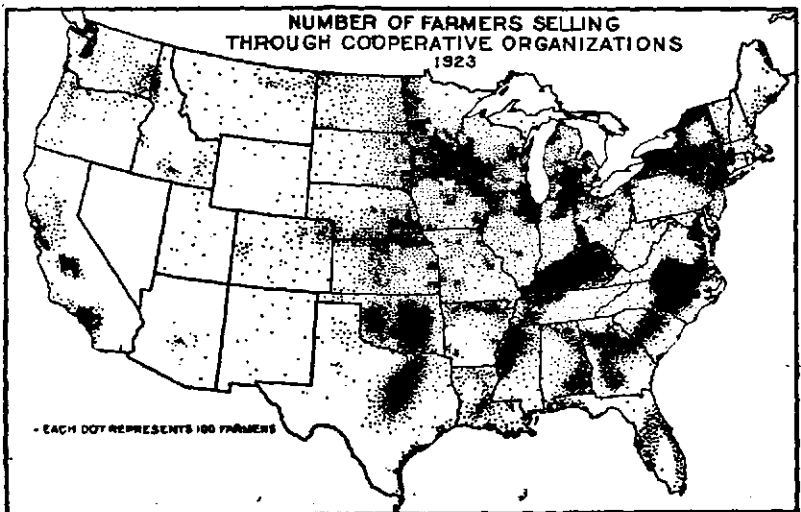
A survey may now be made of the actual extent and magnitude of co-operative marketing in the U.S.A. It may be pointed out that co-operative marketing is by far the most developed form of co-operative enterprise in the U.S.A. and Tables 1 to 7, pp. 125-128), covering the period 1915 to 1923-24, indicate the very considerable strides which the movement has made within these ten years; even if allowance is made for price variations, it is obvious that the figure of 2,200 million dollars of 1923-24 represents a substantial advance over the figure of 635 million dollars for 1915 and the 721 million dollars of the 1919 Census of Production. Further, 2,200 million dollars or roughly 453 million pounds sterling at par of exchange constitutes a volume of sales which is a significant proportion of the total sales off farms of agricultural produce in the U.S.A.; in a few cases the co-operative associations are the chief marketing channel of the producers and deal with 60 per cent. and upwards of the total crop.

1. Certain significant developments are shown in the Commodity Tables 1 and 3, pp. 125 and 126. While dairy products, grain, and fruit and vegetables remain the main fields of expansion, there is a very notable growth in livestock societies and a remarkable rise in the importance of societies dealing with cotton, tobacco, and wool. This indicates that the fundamental ideas

of co-operative marketing are pushing their way into new fields and working out their application in the case of commodities where previous advance has been insignificant. A summarized commodity table is given to show the relative position in 1915 and in 1923-24.

Summarized Table showing Numbers of Associations Reporting Numbers of Members, and Amount of Business. 1915 and 1923-24.

Kind of Association.	No. of Associations.		No. of Members.		Amount of Business.	
	1915.	1923-4	1915.	1923-4.	1915.	1923-4.
					In 1,000 dollars.	In 1,000 dollars.
Cotton - - -	213	107	18,404	250,000	1,502	100,000
Dairy Products - -	1,708	1,966	140,567	200,000	89,061	400,000
Fruits and Vegetables	871	1,232	109,916	200,000	201,543	300,000
Grain - - -	1,637	3,134	166,726	400,000	289,689	600,000
Livestock - - -	96	1,598	13,438	250,000	5,624	250,000
Nuts - - -	—	51	—	50,000	—	50,000
Poultry and Poultry Products - - -	—	56	—	15,000	—	50,000
Tobacco - - -	43	25	—	290,000	6,450	150,000
Wool - - -	—	115	—	50,000	—	20,000
Merchandise (Farmers' Stores) - - -	275	717	59,503	150,000	11,677	50,000
Collective Buying - }	581	430	124,681	100,000	30,292	70,000
Miscellaneous Selling }							729	70,000	160,000
Total - - -	5,424	10,160	651,084	2,025,000	635,839	2,200,000



If the different regions and localities of the U.S.A. are considered (Tables 2 and 4, pp. 125 and 126), it appears that the East and West North Central and the Pacific areas* retain their pre-eminence as the chief centres of co-operative effort, but the figures for the amount of business done show the growing importance of the Middle Atlantic, South Atlantic, and the East South Central regions, and seem to indicate that the movement has received an impetus in areas where its importance in 1915 was slight. A summarized Table is given to show the growing geographical universality of the co-operative enterprises :—

Summarized Table showing Areas, Number of Associations, Number of Members, and Estimated Amount of Business.

1915 and 1923-24.

Geographical Division.	No. of Associations.		No. of Members.		Amount of Business.	
	1915.	1923-4	1915.	1923-4.	1915.	1923-4.
					In 1,000 dollars.	In 1,000 dollars.
West North Central -	2,577	4,579	254,425	—	286,535	635,800
East North Central -	973	2,620	107,331	—	90,114	338,800
Pacific - - - -	416	634	65,950	—	150,511	413,600
Middle Atlantic - -	210	531	63,971	—	58,096	275,000
West South Central -	315	492	30,793	—	7,684	92,400
Mountain - - - -	232	387	34,731	—	20,485	41,800
South Atlantic - -	329	363	37,097	—	10,269	145,200
East South Central -	215	298	35,834	—	7,710	189,200
New England - - -	157	256	20,952	—	6,974	68,200
United States -	5,424	10,160	651,084	2,025,000	635,839	2,200,000

2. With regard to membership and turnover, the record (see Tables 1 and 3, pp. 125 and 126) shows over 2,000,000 members in 1924 as compared with 651,000 in 1915, although it should be mentioned that the survey of 1915 was not so complete in its sweep as that of 1923-24. The general tendency is towards a rise in total business, business per member, business per association, and members per association in each group. The advance, however, is much greater for some classes than for others; it is very marked in the case of cotton and tobacco, less significant in the case of dairy products. A summarised table gives available information upon this subject.

* For delimitation of these areas, see Map. p. v.

Summarized Table showing by Commodity Groups Business per Member, Business per Association and Members per Association.

Kind of Associations.	Business per Member.		Business per Association.		Members per Association.	
	1915.	1923-4.	1915.	1923-4.	1915.	1923-4.
Cotton - - -	\$ 82	\$ 400	\$ 7,052	\$ 934,579	86	2,337
Dairy Products - - -	634	2,000	52,144	203,459	82	102
Fruits and Vegetables	1,834	1,500	231,389	243,506	126	162
Grain - - -	1,738	1,500	176,963	191,449	102	128
Livestock - - -	419	1,000	58,581	156,446	140	157
Nuts - - -	—	1,000	—	980,392	—	980
Poultry and Poultry Products - - -	—	3,333	—	892,857	—	268
Tobacco - - -	361	517	150,000	6,000,000	415	11,600
Wool - - -	—	400	—	173,913	—	435
Merchandise (Farmers' Stores) - - -	196	333	42,463	69,735	216	209
Collective Buying - - -	243	700	52,138	162,791	215	233
Miscellaneous Selling } - - -		2,286		219,478		96
Average - - -	977	1,086	117,227	216,535	120	199

3. This general growth in the size of co-operative units in marketing which is indicated by the Tables appears, however, to mask rather than to reveal the most outstanding and significant change which has taken place between 1915 and 1924, namely the coming of the large scale co-operative. "Since 1920," says the United States Department of Agriculture, "the large organisation operating over an entire producing section or even an entire State has developed. The importance of this change in the development of agricultural co-operation in the U.S.A. will be appreciated when it is noted that 50 of these new large organisations have a membership that is larger than the total estimated membership of the 5,424 associations included in the 1915 study, and the amount of business handled annually by these large associations is greater than the total estimated amount of business for all the associations in 1915."*

There is, therefore, a broad division between the large number of local associations such as elevators or creameries with their small individual membership, and turnover, their local outlook upon marketing, and the large scale co-operative of either the Federal or central type covering a large region with an extensive membership, a considerable turnover, and an elaborate marketing organisation. Neither in membership, turnover, organisation or management is the local co-operative enterprise of the U.S.A. notably different from the local organisations in England and Wales; the large scale co-operative on the other hand has

* See Bulletin No. 1302. U.S.D.A. 1924.

practically no parallel. It is in this direction, therefore, that attention must be focussed in order to observe where U.S.A. development differs from English development. A study of local co-operatives in the U.S.A. reveals many of the same difficulties, problems, and limitations as are found in the case of English societies,* but a study of the large scale co-operative reveals unfamiliar features, an entirely distinct marketing outlook and an attitude towards problems of marketing foreign to English ideas and practice. The main part of this report is, therefore, devoted to a description and analysis of the work of the large scale co-operative enterprise since it is in these organisations that the characteristic features of U.S.A. co-operative enterprise consists, and if ideas of a constructive kind are to be found which are capable of application to English conditions, they are likely to emerge from a careful analysis of the big enterprises.

4. The number of farms reporting co-operative sales in 1919 is an inadequate measure of the movement in 1924†, but it is not possible to give any later estimate upon the same basis. The 2,000,000 members of co-operative associations include large numbers of farmers, particularly in the South, who were not included in the 511,000 farms of the 1919 Census of Production; it is also known that the proportion of non-producers in co-operative associations is very low, and it also appears that owing to farming conditions most producers would be members of one marketing association only. On such assumptions, it might be said that of the 6½ million farms, anything from one-fifth to one-quarter were connected up with sales associations.

The 1919 census data give some indication of the States in which a large proportion of the farms recorded co-operative transactions including the co-operative purchase of supplies; the order according to the percentage of farms was Minnesota, 45·5; Nebraska, 32·4; South Dakota, 30·2; Kansas, 26·1; North Dakota, 25·5; Wisconsin, 25·5; Iowa, 24·2; Michigan, 23·9; California, 22·4.

According to the volume of trade, California comes first with 132·3 million dollars, followed by Minnesota (89·4), Iowa (66·2), Nebraska (54·4), Kansas (54), Illinois (51·3), New York (47·2), South Dakota (35·2), Wisconsin (32·5).

5. Examining the size of associations and the distribution of societies by membership groups it appears that a very notable number of associations have less than 100 members; in the case of grain, 52 per cent.; fruit and vegetables, 67; livestock, 43½; creameries, 51½; cheese factories, 95·1. On the other hand, it is also apparent that there is a tendency to expansion at the upper end of the scale in the case of all five commodity groups, and this confirms the view expressed that a distinct large type is in process

* See "Report on Co-operative Marketing of Agricultural Produce in England and Wales," [Economic Series, No. 1, Ministry of Agriculture and Fisheries].

† See Table 7, p. 128.

of growth and that its position is somewhat shrouded by general averages. If 100,000 dollars or roughly £20,000 be taken as a small unit for the amount of business done, then the percentages of associations below this figure are for grain 38½; fruit and vegetables 59; livestock 63½; creameries 64½; cheese factories 96. If 500,000 dollars turnover and upwards be taken as large associations, then 130 associations would be so classed. (Tables 8 and 9, pp. 128 and 129.)

There is a wide divergence in business per association in different groups; in general, cotton, tobacco, poultry and poultry products which are more recent developments, show very high figures compared with dairy products, fruit and vegetables, grain and livestock. Further, in the case of members per association, the large scale organisation is revealed most clearly in the case of cotton, tobacco and nuts; the figures of business per member show that dairy products, fruit and vegetables, grain and poultry products are the most significant in this respect.

6. The time of organisation of the present co-operatives and a classification of the chief causes advanced to explain the number of failures in the movement are given in Tables 10 to 15 (pp. 129 to 132). It appears that creameries begin to show a sufficient degree of business stability to hold their own in the commercial world after 1889 when a steady expansion sets in; the same feature is observable of grain associations after 1900, of fruit and vegetable associations after 1908, of cheese factories and livestock associations after 1912. The whole movement is intensified in 1919 and extension takes place in cotton, tobacco, and other cultures.

The evidence given in these Tables as to the number and causes of failures of marketing associations between 1900 and 1923 places the reasons in the following order. Inefficient management and lack of interest and support on the part of members play the leading part; the small and uneconomic size of the business units with insufficient members and inadequate working capital come next. Minor causes are inadequate accountancy, passing of control into the hands of a few members and transfer into the ordinary stock corporation form; the grant of too liberal credit facilities is often mentioned.

The Tables make clear what one would expect that 80 per cent. of the failures recorded were cases of associations with a turnover of less than £20,000: Table 13 (p. 131) brings out the great strain on undertakings of the early years of struggle, since 68 per cent. of the failures recorded occurred within 6 years. This point has a definite bearing upon the question of membership contracts and their uses.

There is no record by which to measure whether co-operative enterprise is peculiarly liable to failure in marketing. Large numbers of co-operatives do disappear through actual loss of money, through amalgamation, reconstruction, or through being

wound up, but it seems doubtful, as Governor Lowden has pointed out, whether the casualty percentage is any greater than in other comparable forms of enterprise. Many of the large co-operatives have been in difficulties and have been reconstructed, but this is partly at least an indication of the growth of new ideas in organisation and of changes in legal status as co-operative law developed, and partly due to the difficulties of pioneering a new type of organisation through a severe period of agricultural depression with inadequate financial resources.

B.—Commodity Groups.

Survey of Commodity Groups—Grain—Milk and Milk Products—Fruit and Vegetables—Livestock Shipping Associations—Cotton and Tobacco—Wool—The Egg Associations—Nut Marketing—General Tendencies.

Grain.

A brief survey may next be made of the chief commodity groups with a view to indicating their size and distribution. Table 16 (p. 133) indicates the localisation, membership and business of the grain marketing associations in February 1924. It shows the dominance of the East and West North Central Groups; of the 3,134 organisations reporting, 89½ per cent. were in these areas, having 85½ per cent. of the membership and transacting over 85½ per cent. of the business. Table 17 (p. 134) is also given to show the amount of grain handled by 1,882 associations of the 1922 crop. The development of grain marketing organisation among producers is one of the oldest forms of co-operative effort in the U.S.A., and it has not been spectacular from the standpoint of the size of individual associations although so extensive in its distribution. Until recent years when large scale terminal wheat organisations and State wheat associations came to be floated, the typical position was that grain elevators received grain from their farmer members, acting as local collecting and shipping points; there the grain was weighed and bought by the elevator, the price varying with the grade of the grain and the prevailing prices at central grain markets. The necessary capital was raised by the growers, a corporation formed, a manager hired and the business both technical and commercial conducted independently of any other marketing organisation.* These associations were, therefore, essentially single-unit local organisations dealing with local problems and dependent upon the services of other organisations in the regional and terminal markets. As these single-unit elevators became numerous, the need became apparent for associated action where points of contact could be established, and the State farmers' grain-dealers' associations came into being and plans began to be framed and tried whereby farmers' associations could play their part in terminal marketing. Among the ways in which this trend to federation

* See Bulletin 937, U.S.D.A. and E. G. Nourse "50 years of Farmers' Elevators in Iowa."

and consolidation could take place were (1) where a combination of local elevators took place so that a joint selling policy could be carried out; a notable characteristic of this limited form of federation was that it separated the routine technique of management from the very difficult business of deciding when to hold or sell in the terminal market, work which required wide knowledge of grain conditions and considerable mental alertness; (2) the local elevators could be left unfederated but a farmers' grain company could be floated in the terminal market and direct business relationships could be established between the terminal companies and the locals; a striking illustration of this type of organisation is to be found in The Grain Marketing Company, Chicago, which has taken over the organisation of four well-known grain corporations, The Armour Grain Company, The Rosenbaum Grain Corporation, Rosenbaum Brothers, and the Davis-Noland Merrill Grain Company.* (3) The wheat growers might become direct members of a farmers' terminal wheat organisation and the local stage might be dropped; this is sometimes known as the Canadian Plan because Canadian co-operative endeavour began in the terminal and not in the local area. The reason why the grain growers in Western Canada should begin their actual marketing activities in the terminal markets, while in the U.S.A., the farmers' elevator movement originated with the establishment of country elevators, is dependent upon a number of factors which require no elaboration in this survey. Briefly the grain growers in Canada began to market co-operatively while the country was still new and sparsely populated; capital to erect elevators at country points was not readily available; most of the growers had scarcely enough capital to carry on the business of growing wheat, and in a thinly populated section the capital cost per member to erect a local elevator would have been heavy, consequently loading platforms and direct shipment to terminals seemed to the producers the most logical solution. Illustrations of this form of association are the Grain Growers Grain Co., Ltd., established at Winnipeg in 1906, now the United Grain Growers, and the Saskatchewan Co-operative Elevator Co., Ltd., formed in 1911. (4) Closely associated with the third method is what is known as the Wheat Pooling Plan of which the Indiana Wheat Pool is an illustration; it consists in organising as big a percentage as possible, of the wheat farmers in a State into an association which does not act merely as a centralizing agency and sales commission firm, but takes over the whole responsibility for the sales and price policy, grading and pooling the wheat of its members so that the identity of the supply of any individual grower is lost. It is usually organised with membership contracts and conforms to what will be described later as the Central type of large co-operative; it is of interest that post-war Australian wheat organisations are of this kind. (This type of

* This Corporation has been dissolved in 1925.

organisation is the subject of detailed description, p. 70.) It can, therefore, be said that two-storey co-operation is already underway on the wheat fields and whatever be the position of local organisation in the new developments, the wheat-producers have now proceeded to the further problem of accepting responsibilities for the marketing of their produce in the U.S.A. terminal markets.

Milk and Milk Products.

The total number of dairy marketing associations recorded in 1924 was 1,966 as compared with 1,708 in 1915. Table 18, Dairy Marketing Associations, 1924 (p. 134) shows the distribution of these associations among the different States; it will be noted that Minnesota, Wisconsin, and Iowa include over 1,300 out of the 1,966 associations and stand out as by far the most important States in the co-operative marketing of dairy products since Michigan which stands fourth has only 89 undertakings. Tables 19 and 20 (pp. 135 and 136) give more complete information regarding creameries, their number, location, membership and turnover; it will again be noticed that the same three States, Minnesota, Iowa and Wisconsin occupy the predominant position, having 938 associations within their borders out of the 1,273 recorded and the East and West North Central regions cover 1,077 of the total undertakings. A perusal of the last three columns of Tables 19 and 20 reveals the fact that the average turnover of such societies is relatively small, only one group, the Pacific, working out at over £30,000, and in the leading states the business per member is not high when it is considered that these are on the whole highly specialised dairying areas. It is not possible to give equally complete information regarding associations which are chiefly engaged in the sale of fluid milk and cheese. It is stated that over 170 fluid milk associations were in operation in 1923, many of them notable organisations and Table 21 (p. 137) give such information as is available concerning the 413 cheese factories recorded in the U.S.A.; Tables 8 and 9 give an account of membership and turnover; the salient features of the present position of the cheese factories are that 285 of them are in the State of Wisconsin, that 96 per cent. of a total of 328 have a turnover of less than £16,000, and 86 per cent. have less than 50 members. Dairy organisations are among the oldest instances of co-operative organisation in the U.S.A. As had been the case with farmers' elevators, the development of co-operative creameries and cheese factories has consisted largely of independent organisations, each serving its own particular area. It is mainly within very recent years that extensive federal organisations have come into being. The most usual type of co-operative creamery is one set up to deal with the dairy produce within hauling distance of the plant; most of the associations are formed with capital stock and the same statement is true in general of the cheese factories. Such organisations cannot accept responsibilities for marketing in

distant areas and in terminals; while locals may be highly efficient in processing or manufacture, an effective sales agency requires a federation of societies facing similar marketing problems and in danger of competing with each other. There has therefore, developed in this field a federal type of organisation which is based upon local organisation and would not be possible without local units; thus the Minnesota Co-operative Creameries Association, Inc., is a federal union of over 450 local creameries and the Wisconsin Cheese Producers Federation sells the cheese made by 190 co-operative cheese factories for their membership of 9,000 farmers in Minnesota and Wisconsin. This latter organisation is made up of three parts, (1) the local co-operative cheese factories, (2) the district exchanges with their cold storage warehouses and equipment for paraffining cheese, and (3) the sales organisation.

Fluid Milk Marketing.

A considerable share of the milk used in the larger cities in the U.S.A. is sold through co-operative organisations. The following Table shows the distribution of 174 co-operative milk marketing organisations compiled in July 1922, by the American Farm Bureau Federation :

Ohio - - -	27	Massachusetts -	9
Texas - - -	16	Washington - -	9
Pennsylvania -	15	Michigan - - -	8
New York - - -	14	Iowa - - - - -	6
Illinois - - -	10	Vermont - - - -	6
California - -	9	Others - - - -	45

The range of these associations is very wide, varying from bargaining associations with the use of "strikes" and local associations of producers carrying out distributive services up to large scale organisations which rarely go beyond accepting responsibility for the uses of surplus milk and bargaining with dealers as to the level of price to be paid for fluid milk according as it is sold as whole milk or disposed of into some alternative market, such as the making of butter, cheese, condensed milk, ice-cream and soap.

The various forms can be classified as follows starting from the looser organisations and mounting to the more elaborate types.

1. Collective bargaining as to milk prices where the farmers' membership dues may be collected directly by the association or where the milk dealer deducts the dues from the milk prices and hands them over to the association.

2. Collective bargaining associations which arrange milk prices with dealers but accept responsibility for surplus either by owning certain surplus milk plants or by making agreements with manufacturing concerns which may be separate co-operative undertakings or private concerns.

3. Co-operative wholesale associations, owning plants and receiving stations and bargaining with milk distributors. Such organisations will commonly pool supplies and sell milk products as well as fluid milk.

4. Co-operative wholesale and part retail organisations which pool, deal with surplus, and sell manufactured products.

5. In smaller towns retail city distributive organisations owned by farmers.

The presence of large scale organisation is conspicuous in connection with the fluid milk markets of the large cities; the New York Dairymens League with over 67,000 members, The Twin City Milk Producers' Association of Minneapolis and St. Paul, the New England Milk Producers Association, (often called NEMPA) and other similar bodies represent definitely what may be called the surplus plant groups; they treat with dealers as to prices but they themselves face the problems connected with surplus and differential prices and use this service as a factor in their bargaining; they do not commonly engage in distribution to consumers but hold themselves free to enter this field if necessary. Chicago producers are responsible for an elaborate plan of pooling which is somewhat novel and is meant to control different zones of milk production. It may be said of all these organisations that they represent the most elaborate forms of large scale milk associations, with contracts, pools, monthly payments, and other characteristic features. The class of bargaining association is the most considerable and has given rise to agreements embodying ideas which have had widespread influence. The Interstate Milk Producers Association of Philadelphia may be cited as it is the source of the Philadelphia surplus plan, which pays farmers a regular price for a defined basic production and a manufactured price for surplus as defined. As is well known this conception has been adopted in the N.F.U. scheme for the regulation of milk prices in England and Wales.

Fruit and Vegetables.

Among the fruit and vegetable marketing organisations are to be found some of the best known and most widely discussed co-operative associations in the United States. California, in particular, has been identified with that special type of centralised marketing association of which the Sun-Maid Raisin Growers is an important example; in fact, however, that State has representatives of many types of organisation and methods of operation.

Of the 1,232 associations, the Pacific area accounts for 322 and California for 246 of this number. The average number of members per association works out at 162, the average amount of business per association at \$243,500 and the business per member at \$1,500. (See Tables 1, 3, 8, 9 and 22, pp. 125-129 and 137.)

Of the 665 associations, 46 per cent. had 50 and fewer members, and 80 per cent. had less than 150, and 60 per cent. of the 585

organisations had a business turnover of less than \$20,000. On the other hand there are 30 organisations with \$500,000 to \$1,000,000, and 26 with over \$1,000,000 turnover, and of these the largest has a turnover of \$55,000,000.

It may therefore be seen that in this field also there are broadly speaking two kinds of association, the small scale local type and the large scale organisation, but among the large scale organisations there are those which are based upon local organisations and those which connect directly with the growers. Central and Federal forms of organisation have been more prominent in the fruit and vegetable group than in other classes; they include the California Fruit Growers Exchange, with its membership contracts, locals, districts, its pooling arrangements, field organisation, sales departments, and other characteristic features of the highly organised Federal agency; The Eastern Shore Virginia Produce Exchange dealing in potatoes, truck-crops, and strawberries; The Minnesota Potato Growers Exchange; The American Cranberry Exchange; The California Prune and Apricot Growers Inc.; The Florida Citrus Exchange; the Hood River Apple Growers of Oregon, and numerous organisations of this type. These associations exhibit most of the characteristic features of the two-storey co-operative to which attention is drawn in this report; in discussing the growth of the Californian associations however, it is well to bear in mind certain factors which have facilitated their growth when once a serious start in co-operative marketing was made, namely the highly localised character of the producing areas and the fact that the market for a large proportion of their products is located 2,000 to 3,000 miles from the productive centre, as well as the perishable character of the commodities, which necessitated the creation of some organisation capable of moving them to market without delay. Many of the fruits also belong to classes which are not regarded as absolute essentials and this affected their distribution and the need for trade brands and advertisement.

Livestock Shipping Associations.

Co-operative marketing of livestock is a comparatively recent development in the U.S.A. as is made evident from the fact that there were 96 associations in 1915 and 1,598 in 1924. Of these, 634 are in Iowa and Minnesota and if Illinois, Wisconsin, and Missouri be added, then the total is 1,030 out of 1,598; the movement is therefore fairly well localised. There are 26 terminal livestock agencies doing business of almost 200 million dollars which is not included in the figures for the 1,598 associations. It appears that 43½ per cent. of the societies have less than 100 members and 77 per cent. less than 200 members; while with regard to business done, 63 per cent. transact less than \$100,000.

The co-operative livestock shipping association is one of the simplest types of co-operative marketing enterprises. The form is that of a union of farmers to ship stock jointly; a manager is

appointed to carry out the policy of the board of directors and to take charge of shipments. Payment is not made to the shippers until the livestock has been sold and practically no capital is required. The manager keeps in touch with those in his locality who have livestock to ship and each member notifies the manager of the number and kind of stock he has to ship and of the time at which he will be ready to ship it. The manager collects enough stock to load with, directs the farmers to deliver their stock at the local shipping point on a certain day; he receives, weighs and marks every animal.

Large scale organisation has shown itself in two ways in livestock marketing, (1) in the presence of farmer controlled commission firms in so many terminal markets and (2) in the county plan of organisation where several local agencies are combined or federated to serve a county or similar area. It is of interest to note the kind of argument used to advocate the county unit plan as it reflects certain of the limitations of local organisations. The advantages claimed in this field for the larger unit are (1) uniformity of records for commission firms, contracts, and insurance; (2) greater prestige in making claims for damages and requests for yard improvements; (3) lower operating expenses through a diminution in duplication, better facilities for reports, records and better service by commission firms; (4) a healthier market because of the association of different localities; (5) sufficient attraction to draw a good manager; (6) shipping by grade since when a considerable volume of stock pass through one channel, this classing may be done in the county and despatch made direct to the packing house. One man directs the movement and sale of livestock of the company; the flow may be directed more easily by one agency than by a number of competing local managers.

Producers' commission co-operatives in the central markets, such as Chicago, operate very much in the same way as that followed by the private livestock commission firms; it has been customary to charge the same rate of commission, but a percentage refund is paid at the end of each year if a surplus is available over what is needed for expenses and reserves. The Chicago Producers Commission Association may be taken as an illustration of an association working in a terminal market for local shipping associations and individual producers. One organisation owns and operates its own terminal stockyards and conducts an auction to which shipping associations or individual producers may consign stock. Table 24 (p. 138) shows that 26 agencies handled, during 1923, nearly 10,000,000 head of livestock.

A third way has been mooted in which large scale sales organisation of cattlemen might be achieved. The California Cattlemens Association* have discussed a plan for selling their cattle through their organisation which closely resembles in its main features the methods by which other commodities are

* See page 69.

co-operatively sold in that State. The underlying conception is that of organising supply so that the association may play a conscious part in the balancing of demand and supply and in stabilising the price levels.

A fourth method which seems a possible development of the large scale tendency would be the creation of overhead agency to supervise the locals with a contract running from producer to local, from local to overhead. The overhead would be the sales agency and the work would be bargaining with packers except in so far as co-operative packing plants were provided to take care of surplus at critical times, or to be used as an alternative market.

While several attempts have been made to establish farmer-owned meat packing plants, little has been done in the U.S.A. in this direction; producers in the Middle West have been keenly interested in the slaughtering and distributing end and the feeling exists that profits are to be made by cutting into this business but there are special difficulties in this field and a foundation for successful enterprise has not been laid.

It is apparent therefore that even in this recent field of co-operative advance where local organisation has been the main object in view, there have already appeared distinct signs of two-storey associations integrating marketing services and processes.

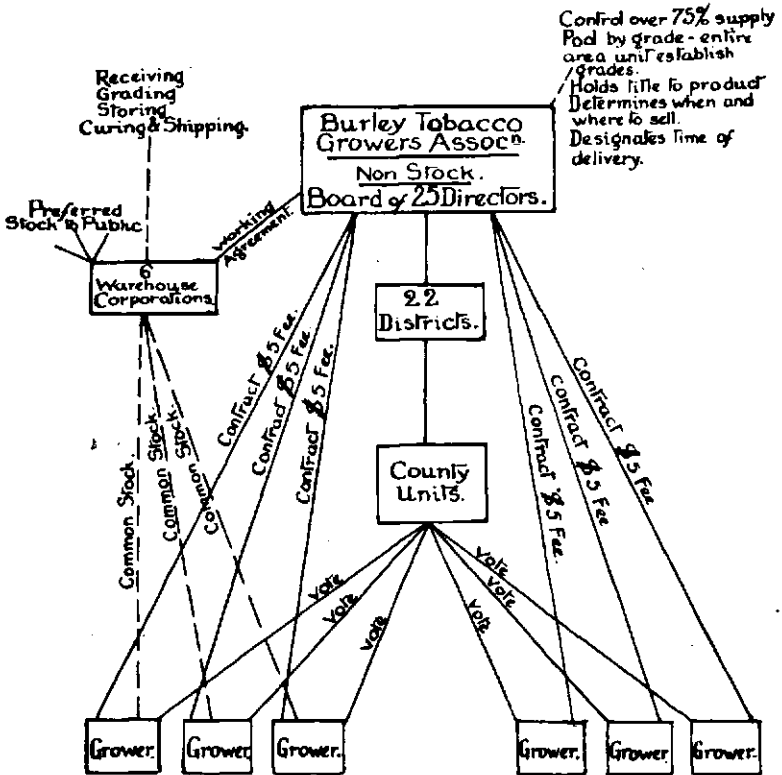
Cotton and Tobacco.

Central forms of co-operative marketing find notable illustrations in the new large scale co-operatives in cotton and tobacco, which have arisen since 1920. The undertakings are much greater in average size than those in any other group and while while not representing British crops, they are of interest because of the clearly defined type of organisation which they present and in a lesser degree because such an English crop as hops has certain points of similarity. The Tables (*see* Tables 25 and 26, p. 139) bring out the large membership of the 14 State and Regional cotton associations, the high average of business per association; the low average of business per member is to be explained by the general agricultural conditions of the South and South East where these organisations function. Associations such as the Texas Farm Bureau Cotton Association and the Burley Tobacco Growers have developed elaborate organisations, with crop contracts, field services, warehousing systems, pooling and sales organisations. The State and Regional cotton associations have proceeded further to establish an overhead sales organisation, the American Cotton Growers Exchange; it acts as exclusive agent for the member associations.

Wool Marketing.

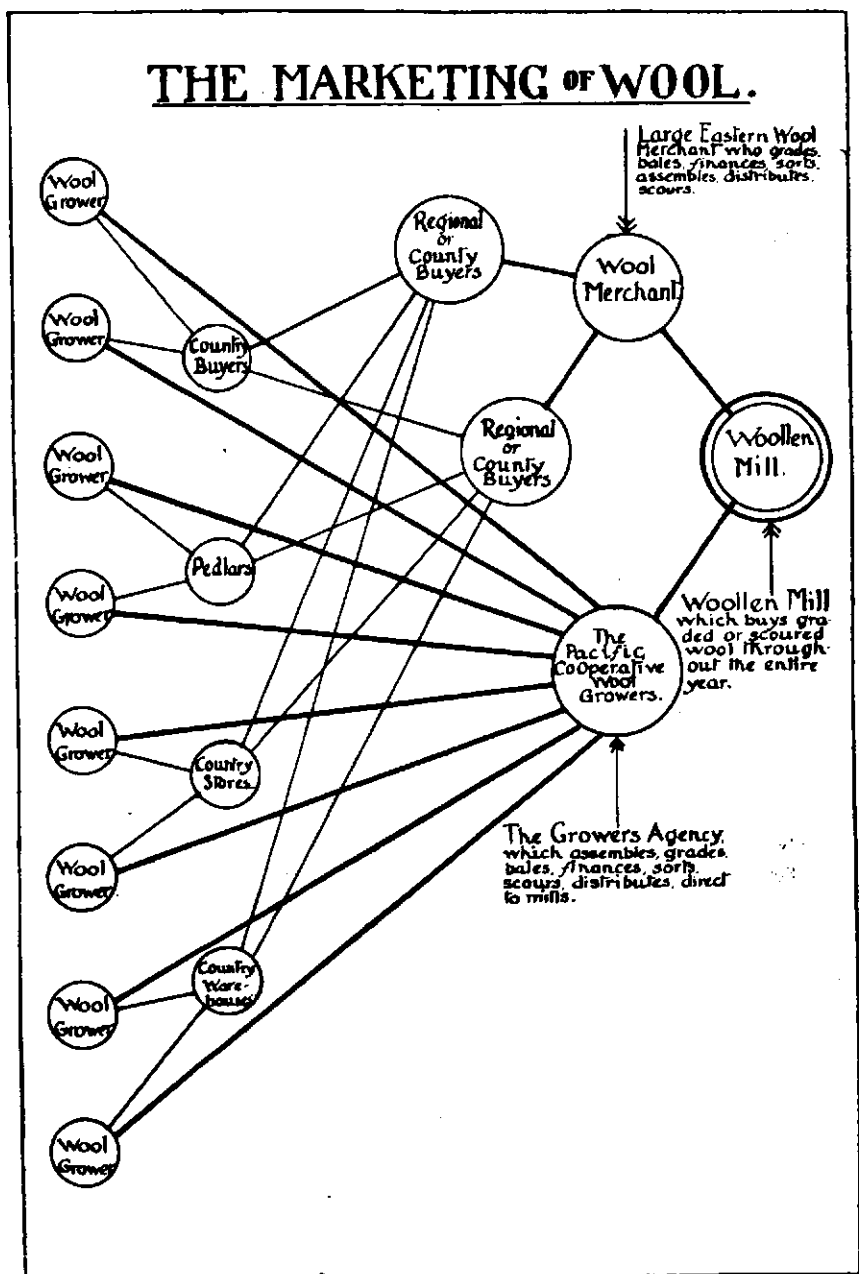
Although improvements in the marketing of wool have figured in the programme of farmers' movement for many years, there were only 115 associations with a membership of 50,000 and a relatively small turnover per association and per member. (*See* Tables 3

ORGANISATION OF THE BURLEY TOBACCO GROWERS ASSOCIATION.



FIVE YEAR NON-REVOKABLE CONTRACT
BETWEEN GROWER AND ASSOCIATION.

THE MARKETING OF WOOL.



and 27, pp. 126 and 140.) Local or county associations of farmers of an informal character have been employed in many parts of the country for a considerable period. Some of these consigned the wool gathered in the pool to a wool commission agent to be sold for them. In other cases buyers came to local points and purchased the wool; or again arrangements have been made to have the wool pools in a number of localities auctioned in a series of consecutive sales, so that buyers could travel round; sometimes the wool has been graded. The influence of Canadian examples, as seen in such large scale association as the Canadian Co-operative Wool Growers Ltd., which has been reckoned to handle 50 per cent. of the commercial clip of the Dominion with its concentration points, warehousing system, grading and pooling arrangements, together with the U.S.A. Government war regulations which encouraged pools appears to have facilitated the growth of State-wide and regional organisations; of these the Ohio Wool Growers Co-operative Association is one of the most firmly established, handling 3,743,000 lb. of wool in 1922-23, and having a membership in the neighbourhood of 15,000.* While grading, warehousing and selling, it had no membership contract up to 1923 and appeared to suffer certain disabilities on this account. Organised marketing of wool by producers does not appear to be one of the strong sides of the U.S.A. co-operatives, although the tendency to large scale association is apparent here also. The reasons for the less definite advance usually given are that the farmer has treated wool in a more haphazard way than other products especially in the East and Middle West where flocks are small; he has not kept in touch with market conditions for what was almost a sideline, nor had he faced the difficult factors arising in the sale of wool such as quality, grade, shrinkage, condition and length of staple, seasonal production with its associated aspect of storage and finance. Wool marketing problems were also somewhat different in the Range States of the West from those of the Corn Belt area and the East. An organisation such as the Pacific Co-operative Wool Growers covering Northern California, Western Idaho, Oregon, and South Washington, exhibits all the characteristics of the developed co-operative, the contract, grade, pool, central sales organisation, and a definite marketing policy.

The Egg Associations.

Table 3 records 56 egg producers' organisations in 1924 doing a business of 50 million dollars and having 15,000 members; this gives the very high turnover per member of \$3,333. The localisation of the chief of these organisations was as follows (1921 figures):—

	<i>No.</i>	<i>Turnover.</i>
		\$
New York State - - - -	2	501,000
Washington State - - - -	1	3,000,000
California State - - - -	7	10,566,000

* See Steen, Co-operative Marketing, p. 123.

These figures are not an adequate indication of co-operative egg marketing since much has been done by local Community Egg Circles of an informal kind but such efforts are spasmodic and unsatisfactory in their continuity since their volume of business is not usually such as to warrant much care in building up a marketing connection. There are, however, definite instances of associations working on an extensive scale, especially on the Pacific coast; one of the best known of these is the Poultry Producers of Central California, with its headquarters at San Francisco, organised with membership contracts, receiving stations, testing, processing, and shipping equipment, and pooling the products of its members; this society has a membership varying from 2,000 upwards, and is said to include 70 per cent. of the commercial poultrymen of the regions from which it draws its supplies. Another sign of Federal tendencies in egg marketing is found in the creation in 1922 of the Pacific Egg Producers, an overhead co-ordinating selling agency, the members of which are the five co-operative poultry associations of the Pacific coast. Its business is to handle eggs outside local territory or home markets so that there may be a better distribution to markets, a building up of the demand for Pacific eggs and an elimination of competition. Outside of such cases there is a movement in certain dairying areas such as Minnesota to utilise creameries as collecting stations for regional egg organisations.

Co-operative Nut Marketing.

In closing this statistical survey, some mention requires to be made, of co-operative nut marketing since this group of associations includes what is considered by many business observers one of the most efficiently managed enterprises in the U.S.A., the California Walnut Growers Association. Table 3 shows 51 organisations with 50,000 members and a business turnover of 50 million dollars; the areas in which these undertakings are found, are Texas, California and Virginia. The large scale co-operatives account for a very high proportion of the total turnover, the Walnut Growers Association with 4,000 members selling to the extent of 9 million dollars in 1923. Other notable large co-operatives are the California Almond Growers Exchange (3,800 members) and the Peanut Growers Exchange of Virginia and North Carolina.

Drawing together the main issues of this survey, it appears that co-operative marketing has gathered considerable momentum since 1919 in the U.S.A. This has shown itself in an intensification of effort in older fields of co-operative enterprise such as grain, dairy, fruit and vegetable marketing, and the growth of such organisations in new fields such as livestock, tobacco, cotton, and wool associations. The examination of the size of co-operative enterprises reveals certain notable tendencies toward Federal and Centralised organisation in practically all fields. This movement

is not necessarily in conflict with the existence of local co-operative units but reflects their necessary marketing limitations and is an attempt on the part of the producer to integrate marketing processes up to the wholesale stage. These new giant or super co-operatives are the characteristic contribution of the American movement to marketing problems and their organisation must be examined as such.

It is proposed therefore to concentrate on an examination of the organisation of the large-scale co-operatives. Local co-operatives in the U.S.A. share certain of the characteristic weaknesses of the English movement in regard to such fundamental matters as guaranteed supply, grading for quality, standardising production, uneconomic size, difficulties of effective management, sales agency, financing and price policy. These are points to which the large scale co-operatives have given special attention, and an inquiry into their organisation is the direction which is likely to be fruitful to British producers.

CHAPTER III.—TYPES OF LARGE SCALE CO-OPERATIVE ORGANISATIONS.

Significance of Federal and Centralised Forms—Commodity Organisation
—Relation of Locals and Centrals—Distinctive Features of Centralised
Associations.

It is usual to say that there are two distinct types of large scale co-operative marketing associations, the Federal and the Centralised. The latter is sometimes called the commodity association but the term has no obvious meaning, since practically all marketing enterprises are on the commodity plan in this sense, that they work out the marketing problems of a single commodity or a closely allied group of products; both the California Fruit Growers Exchange and the Sun Maid Raisin Growers are commodity organisations, although the first will be taken as an illustration of the Federal type, and the second will be described with others as an illustration of the central type. The essential difference between the two lies in the degree of centralisation and control; in the Federal form, control resides largely in the locals and districts, the central often acting mainly as a sales and advertising agent and making only slight attempts at bargaining with dealers as to the price.

The centralised association places all control in the one main headquarters, believing it to be absolutely necessary that the crop shall be under one direction in its movement to market, and that price-bargaining can take place most satisfactorily between the association as one unit, and the buyers. It also places emphasis upon a large proportion of the crop, or output of a region, being under the control of the association. A further distinctive feature is that the local plays little part except in so far as local receiving stations or warehouses may be necessary for collecting, processing, storing and packing the product, though directors may be elected to the board with special responsibility towards special districts. This non-recognition of the local, together with the binding of producers directly by contracts to the central body, has been the subject of much discussion between the different schools of co-operative thought. It is pointed out that locals are always weak on grading and quality. As a manager said, "for a \$50 share, the members expect \$10,000 worth of authority over the affairs of the association. Everybody tries to be boss." This weakness shows itself in all dealings between the manager and members at times of sorting and grading; it arises from each member's desire to get the best consideration for his own product and from his view that, as a producer, he knows better than anybody else how to grade his own product. If strongly pursued, such a policy would spoil any consistent kind of grading and selling. The federation, while recognising these troubles, tries to overcome them, not by ousting the locals, but by leadership, educational training, and incentives, holding to the view that

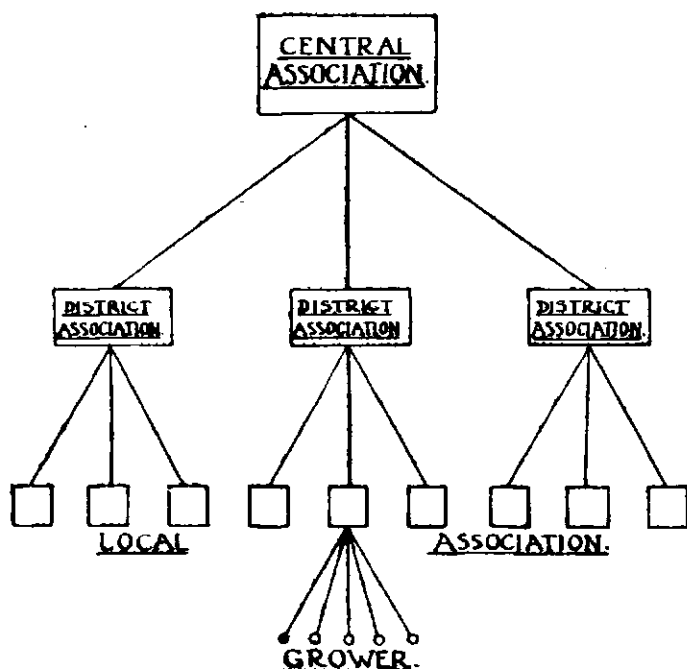
local units are necessary to keep the grower in touch with the organisation which is distributing his commodity.

Briefly the distinctive features of the central form may be summed up as—

1. Abolition of the local as an executive or pooling unit.
2. Membership in the central organisation on a contract basis.
3. Complete control of the product—when to sell it, where to sell it and how to grade and pack it.
4. Control of a large proportion of the supply to regulate the flow to market.

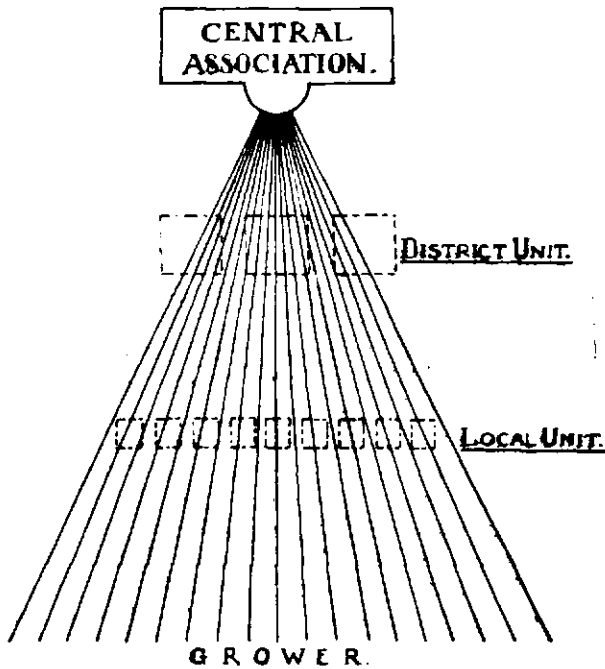
The figures show generalised forms of the two varieties of organisations.

GENERALISED FEDERAL TYPE OF ORGANISATION.



MANY ORGANISATIONS HAVE NO DISTRICT ASSOCIATIONS, THE LOCALS BEING MEMBERS OF THE
CENTRAL.

GENERALISED CENTRAL TYPE OF ORGANISATION



Growers are members of the Central Organisation directly.

In actual practice, however, the line of demarcation is not so clear as that suggested in the text and the tendency is towards intermediate types and to adjust the relation of locals, districts and centrals, to meet the particular marketing requirements of the product in question. The spell-binder's notion that there is one standard type of undertaking which could be applied to all commodities, wheat, livestock, prunes, cotton or milk alike, is

being displaced by a realisation of the complexities of marketing both in its relation to production and consumption. Wherever locals have existed the tendency is to preserve them, although the degree of authority left to them will vary between local autonomy and purely advisory or talking locals. Independent or semi-independent locals are, however, a weakness in warehousing and financing.

In the light of this general statement, some account may now be given of certain well known forms of marketing organisation.

A.—The California Fruit Growers Exchange.

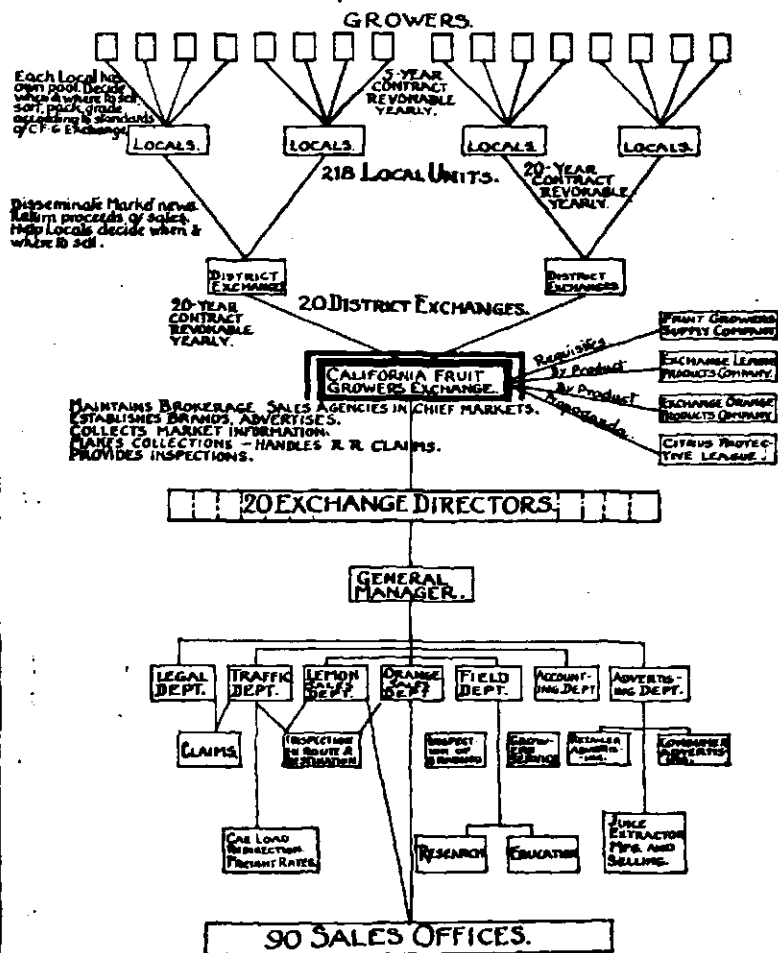
The California Fruit Growers Exchange—The Sun-Kist Organisation—Locals—Pools—Crop Contracts—Financial Policies of Locals—District Exchanges—Marketing Functions—The Central Exchange—Supply and By-product Organisations—The Economic Services of the Exchange.

The California Fruit Growers Exchange has at present (1924) 10,500 members, 218 local packing units, 20 district exchanges, and a central sales organisation (*see* Figure p. 37). The whole system, is held together by a series of contracts; the grower signs a contract with the local association, from which he may withdraw by filing a notice with the secretary of the association during a specified period or before a certain date of any year. Most associations have five-year contracts, although a few undertake an obligation for one or three years. A twenty-year contract, revokable at the end of any year, upon notice, is made between the districts and the locals; each district has a similar contract with the California Fruit Growers Exchange central. The association is built up upon the locals, and authority travels through from grower to local, local to district, and district to central.

The Economic Services of the Exchange.

1. The California Fruit Growers Exchange markets 70 per cent. of the citrus fruit of California.
2. It has standardised production by unifying grade standards for oranges and lemons; it has improved handling practices.
3. It has created a comprehensive system of salaried agencies, which is an innovation in the marketing of perishable products, and has attempted to reduce hazard to a minimum in distribution.
4. Stimulation of the demand of consumers has been attained by advertisement, a study of retailer's requirements, and the introduction of juice extractors. Further, the marketing season for oranges has been expanded by planting the Valencia orange.
5. The association has been active in procuring favourable freight rates, refrigerator service, and in dealing with questions of damage in transit.
6. The use of by-products reducing waste is a notable achievement, although such enterprises operate under the handicap of a fluctuating supply.

ORGANISATION OF CALIFORNIA FRUIT GROWERS EXCHANGE.



Locals.

At least 70 to 75 of the locals are associations of citrus growers, incorporated with board of directors for business purposes; while some large producers, individuals and corporations, who pack the fruit from their orchards through privately owned packing houses, are also classed as locals. In addition, commercial packing companies grade and pack fruit of individual growers at a fixed

charge per box. A number of these concerns, as well as producers owning large orchards and operating their own packing houses, are members of the exchange, and have the same status as the associations.* The locals harvest the fruit of their members and prepare it for market; arrangements may be made to haul the fruit from the orchards to the packing house in motor trucks belonging to the association, and some associations perform services such as pruning and fumigating orchards for their members; the picking is done by association crews under a field foreman and great importance is attached to care in handling and the keeping of harvesting expenses to a minimum. The packing of citrus fruit calls for a considerable investment in buildings and machinery together with supplies such as boxes, paper wrappers and nails; the fruit is washed, dried in mechanical driers and graded. Oranges pass over conveyers through all these operations and are put through mechanical sizers. Only fruit which grades "fancy" or "extra choice" can be shipped under the exchange advertised trade mark Sunkist and this brand is maintained by frequent inspections; similarly, "choice" oranges and lemons are sold under the advertised trade mark Red Ball. These two brands are quite distinct from association brands, which although unknown to the consumer, have a recognised standing among dealers.

Grading is meant (1) to remove fruit which is injured either mechanically, by insects, frosts or other causes so that its eating or keeping quality is impaired; (2) to separate fruit which varies widely in general appearance, texture, colour, and other factors affecting quality and price. While grading has long been practised by citrus fruit organisations, it is only recently that grades have been standardised so that a certain grade of one local approximated to a certain grade of another and so that a certain grade of one year equals the grade with the same name of the next year. It is usual to allow a toleration of 5 to 10 per cent., as soil, climate and human factors must give rise to variations. The value of the grading system has been very great both from the standpoint of buyers and sellers. The salesman knows that fruit of a certain grade has a certain standard of appearance and quality; the buyer is assured that the shipment will be of a definite kind of fruit, so that sale and distribution are greatly facilitated and the confidence of buyers is secured while the speculative element in marketing is reduced.

Pooling of Fruit belonging to Different Growers.

"In all associations the fruit of the growers is either pooled over a certain period, sometimes covering the entire shipping season or it is agreed that a certain percentage of each grower's fruit shall be picked and sold in each pool. All returns for fruit of the same grade (in some cases size distinctions also are made)

* See U.S.D.A. Bulletin No. 1237, McKay and Stevens. 1924.

during the pooling period, after deductions for packing, marketing and other expenses, are averaged, and the producer is paid the average price per pound or per box received during that period for fruit of the grade or grades which he had delivered. All expenses connected with the handling and marketing of the fruit are pooled, with the general exception of picking and hauling charges."*

The system is essential, because it was impracticable to handle and market large numbers of small lots separately and because grading would be impossible without it, while packing house operations, accounts and returns are simplified. Further, the pool is an insurance to the grower; however carefully a perishable product is handled and marketed, loss cannot always be avoided. There may be delay in transit, heavy deterioration or specially unfavourable market conditions. If one shipment had contained the fruit of a single grower, the results would be disastrous, but with the pool the loss is averaged out. Managers can handle their crop according to a concerted plan, which is impossible if growers seeking to secure the highest price are allowed to send in excessive supplies. Efficient distribution can thus be secured much more easily under the pooling system than under a system of individual consignments. Partial payments are made to growers from time to time, and are a percentage of the estimated returns for the season; a final settlement is made at the end of the season.

The locals are made up entirely of citrus fruit growers and are usually organised as stock corporations, but they rarely pay dividends or interest upon such investment; generally the number of shares a member takes up is proportionate to his bearing acreage, or to the number of trees or according to the quantity shipped. Stock is usually paid for by deductions from the returns received for fruit delivered by the growers to the association, although some locals require a producer to pay cash for stock when he becomes a member, or to pay by definite instalments. It should be noted that owning stock does not constitute active membership in an association, although how to bar non-producers from participation is a vexed question; it is done partly by giving no dividends upon the investment and by ruling that stock holders shall have no voice in the management of the enterprise unless the fruit grown in the orchards represented by their stock is under crop contract to the association. If a grower disposes of his orchard, he usually sells his shares to the purchaser of the orchard or hands them to the secretary to sell to a new member. Each active member is entitled to one vote for each share of stock he holds, although this right is rarely used.

The non-stock association operates with membership fees, and provides that members withdrawing shall have no share in its assets; it raises capital by assessment upon the sale of produce or by creating subsidiary stock corporations. One difficulty

* See U.S.D.A. Bulletin No. 1261, p. 9. 1924.

of the non-stock form of organisation is the uncertainty which it creates as to the rights of each member in its assets; in some cases it has been assumed that all are equal, and this has caused annoyance to large orchard owners; or, again, old members, seeing the physical assets of the association growing, consider it unfair that a new member should have equal rights with them. This point can be got over no doubt by the issue of certificates of indebtedness for limited periods, but in this case the bias is towards stock organisation, and the banks appear to prefer it in cases of unproved solidity.*

Crop Contracts.

Practically all the locals have a uniform crop contract. All produce (except what the producer requires for his own use) must be delivered to the local, and provision is made for liquidated damages in case of contract breaking. Provision is made for deduction to cover all ordinary expenses of the association and to create reserves, while rules are laid down as to times of withdrawal from the organisation. Arrangement is also made in the by-laws for pooling or contract, and the directors take power (1) to determine the pool period; (2) to decide the percentage of his total crop which each member shall contribute to the various pools, although clearly the general rule would be that each member should deliver his pro rata share of the total fruit to be delivered within the period.

Grading is under the immediate control of the manager, and the returns to members are the average price of all fruit of the same variety and grade delivered.

Financial Policy of Locals.

"Money necessary to construct a packing house or to purchase machinery and supplies is secured, as a rule, by loans from local bankers or banks in Los Angeles."† This will be gradually repaid by assessments per box of fruit or by money received for stock; this indebtedness or maintenance assessment system has been systematised into a revolving fund‡ so that big direct burdens may be spread over a number of years and those entering later may contribute to the cost of the packing house by which they benefit. Some societies employ loans from their members or friends.

The District Exchanges.

The members of a district exchange are the local associations, individual shippers, and packing companies affiliated. From 10 to 12 is a common number of affiliated organisations, and each of these is represented on the board of the district. "The voting power is proportional to the share in the total expense of the district exchange, which is met by an assessment charge per

* See Chap. VI.

† U.S.D.A. Bulletin No. 1237, p. 21.

‡ See Ch. VI.

box, or to its percentage of the total number of cars shipped through the district exchange during the previous season."

The capital stock of each district is relatively small.* The district elects a representative to the central. A few locals affiliate direct to the central exchange, but this is because the area does not expect a sufficient turnover to make it worth while to maintain a district exchange.

Marketing Functions.

The district exchange acts as the sales agent of its members; the manager apportions all orders which do not specify the output of a particular packing house; he keeps in constant touch with the sales and traffic departments of the central, and, acting on available information, he puts a price upon the various grades he is despatching. The central sales agent and the distant market agent cannot accept a lower price without referring back to the district manager, who usually consults the local manager. The district charges a fixed amount per box to cover the cost of the district, the maintenance of the central including all branch offices, advertisement costs and payments by instalments for stock in the Fruit Growers Supply Company. Other deductions may be made if the local supports the orange or lemon by-product companies.

The district manager usually gives assistance to affiliated groups in matters of membership and organisation. Many locals have no desire to increase their membership, because they consider their plant is working at capacity, but a district manager looks for expansion to reduce his operating expenses, and co-operates with the growers' bureau service and the field service to improve membership. One district has made efforts to improve the field and packing house handling of its fruit and to improve the quality and grade of the output of its area.

The Central Exchange.

The representatives of the 20 districts become directors of the central exchange, which is a non-stock corporation financed by assessments per box retained by the districts. The work of the departments is as follows:—(1) the orange sales division handles the sale of oranges, grape fruit, and tangerines, keeping in touch with the districts and with the salesmen and brokers who represent the exchange in its different markets; the lemon sales department works in the same way. In June, 1923, there were 52 sales offices in the U.S.A. and Canada, comprising 6 divisional managers and 46 district agents; the exchange dealt directly with 8 brokers in large markets and had brokerage representatives in 25 smaller centres. The policy aimed at is an equable distribution, avoiding gluts and scarcities; each season the sales agents, general manager, and divisional salesmen confer, and afterwards an estimate is made of supply and demand each week; locals may be urged to ship more or less each week

* See U.S.D.A. Bulletin No. 1237, p. 23.

according to the situation, and factors such as weather, maturity of the fruit, car supply, and available labour affect the position. (2) The traffic department advises locals regarding rates, routes, cars, embargoes, claims for loss or damage to shipments. The last item has averaged half a million dollars for the 5 years up to and including 1923. (3) The advertisement department centres in trade brands such as Sunkist; the expenditure has risen to \$800,000 per annum (1923). All the chief media, such as magazines, newspapers, posters, street-car advertising, and display are used to broadcast (i) the advantages of eating more oranges and lemons; (ii) the gains in consuming Sunkist brands. All this expenditure is meant to reduce the cost of distribution by promoting a more rapid turnover of supplies, reasonable margins, and more even distribution of dependable products. Personal contact is made with the retailer through dealer service men, who call on grocers and stores, distribute advertisements and arrange displays of fruit. (4) The field department is organised to deal with those problems that arise in the production, harvesting and packing of the fruit. It is concerned with handling practices, preservation of the standard of brands such as Sunkist; in the busy season inspectors from the central will visit packing plants practically every day. Other work is research into pest-control and into citrus by-products. A growers' service bureau is maintained to organise new associations and to consolidate the position of old ones; it also deals with the complaints and dissatisfaction of members. (5) A law department deals with legislation, court decisions, preparation of contracts, by-laws, and in part with finance, while (6) an accounting and statistical department examines the factors influencing marketing margins and makes efforts to introduce more effective merchandising methods.

Supply and By-products Organisations.

The Fruit Growers Supply Co. is owned and operated by the locals. Its purpose is to secure for its members the essential supplies, packing house and orchard. Failure to obtain box material, for example, would be disastrous to growers. It is, however, an entirely separate undertaking from the Sales and Marketing Organisation. The Exchange Orange Products Co. is a corporation also owned by the locals, and designed to deal with poor quality or "cull" oranges. It makes marmalade, orange oil, orange vinegar, orange peel, and out of every 50 tons of cull oranges, 35 tons of refuse remains, which has been fed experimentally to dairy cattle. This enterprise has passed through vicissitudes, as it had to work out experimental processes, and yet it had to place a reasonable value on cull oranges. The Exchange Lemon Products Co. was created to provide an outlet for culled lemons, and manufactures citric acid and lemon oil.

A table is appended to this report showing (1) the f.o.b. value of business done 1913-1923; (2) the total quantity of shipments in boxes, 1913-1923; (3) the percentage which the

total shipments of the associations bears to the total shipments out of California. The figures for 1923 were (1) turnover, \$55,223,450; (2) boxes of oranges, grapefruit, and lemons, 17,857,417; (3) percentage shipped by the association, 75·8.

B.—The Sun-Maid Raisin Growers.

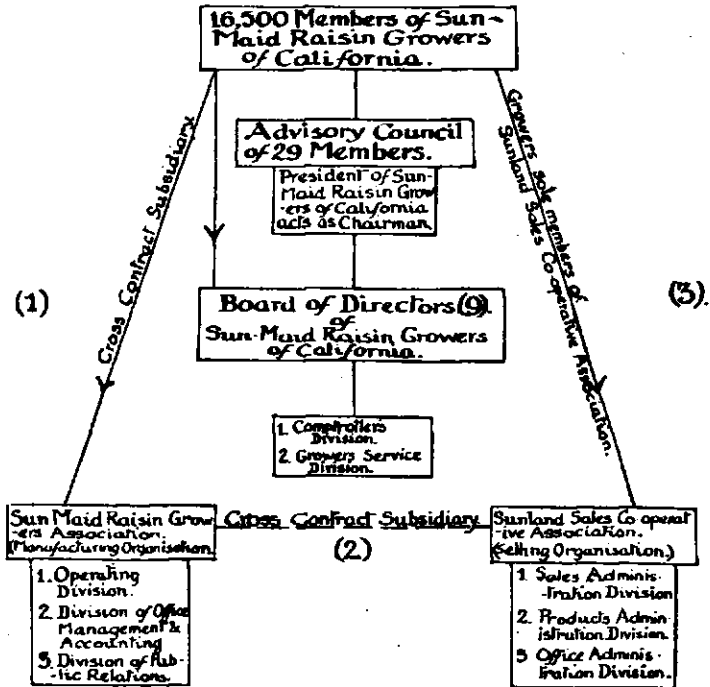
The Sun-Maid Raisin Growers—Forms of Organisation, Non-stock, Non-profit—Growers' Contract—The Central—The Delaware Corporation—The Sunland Sales Co-operative Association—Joint Stock Subsidiaries.

The Sun-Maid Raisin Growers, with its headquarters at Fresno in the San Joaquin Valley, is the chief of what is known as the dried fruit triumvirate, the others being the Prune and Apricot Association, with its headquarters at San Jose in the Santa Clara Valley, and the California Peach and Fig Growers of the San Joaquin Valley. They represent the highly centralised type of association and owing to their peculiar position in serving intensely localised areas of production, they occupy a somewhat outstanding position among U.S.A. co-operatives, since it is practical business for such enterprises to control 70, 80 and 90 per cent. of the total output of their districts. Under such conditions control of supply and orderly marketing mean much more than careful and uniform market service—they shade off into the field of monopoly, and in this connection they have roused widespread interest.

Organisation among the raisin growers dates back to 1912, and in these years many notable changes in structure and contracts have taken place, and the association has passed through at least two serious and somewhat dramatic crises; one was the suit of the U.S.A. Government against the Company in 1920, on the ground that it infringed the Sherman Anti-Trust Law, and the other the overpayment of growers in view of the slump in prices and the big carryovers of 1922 and 1923. The present sketch relates to the characteristics of the association after the re-organisation of 1923.

The reconstructed Sun Maid Raisin Growers of California has approximately 16,500 members, who are bound directly to the central by a growers' contract, and who each have one vote whatever be their acreage; this is a non-stock non-profit organisation. In general its functions are to maintain contacts and relationships with producers, to secure contracts and delivery of raisins, to arrange for and make advances to growers as the raisins are delivered. The producers have the opportunity of indicating their views and ideas through a system of local units, which send representatives to an advisory council of 29. The directorate of 9 is elected by the members directly. The locals are not pooling units or even collecting stations; they have no executive functions. The central pays over to the members the total sales prices, less deductions for services according to the amount, kind, and quality of their deliveries. The growers' contract stipulates

THE SUN-MAID RAISIN GROWERS OF CALIFORNIA.



(1) Sun-Maid Raisin Growers Association of Delaware, under Service Contract, performs manufacturing operations for Sun-Maid Raisin Growers of California. Sun-Maid Raisin Growers of California owns entire common stock with sole voting power, of Sun-Maid Raisin Growers Association, and selects the Board of Directors of the Sun-Maid Raisin Growers Association.

(2) Sun-Maid Sales Co-operative Association, under a Service Contract, performs for Sun-Maid Raisin Growers Association of Delaware selling operations of raisins and converted products, the title to which remains in the Sun-Maid Raisin Growers of California until sold.

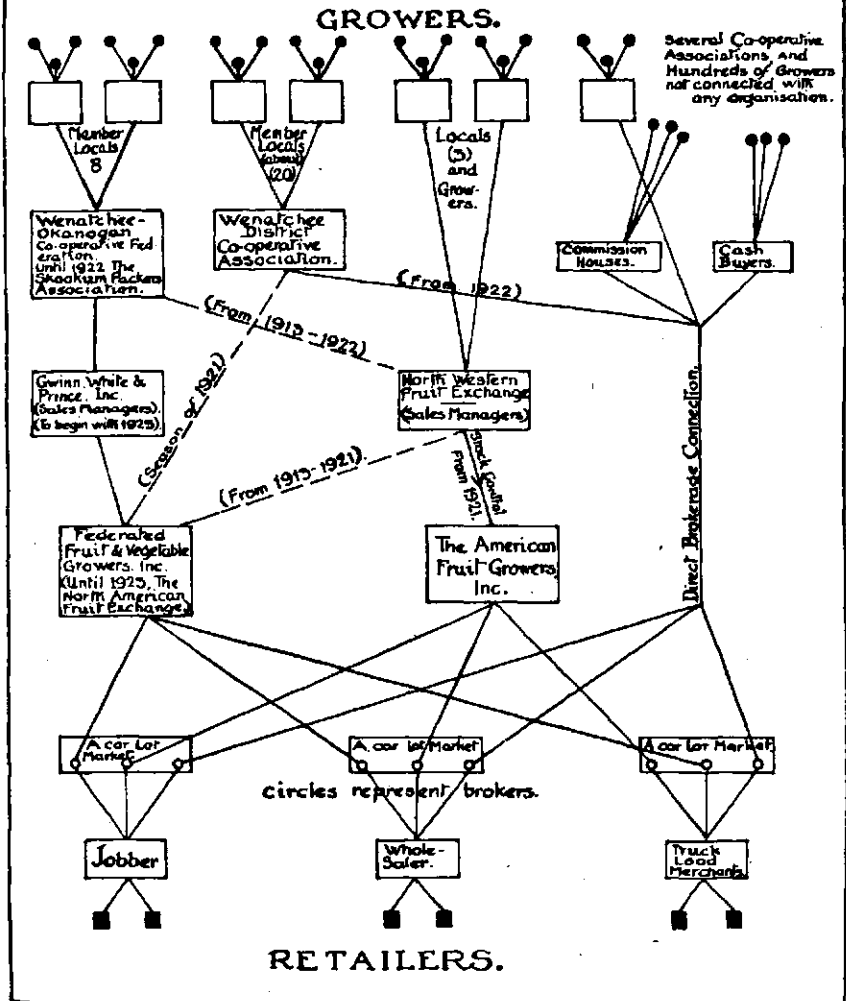
(3) Sun-Maid Raisin Growers of California is a member of Sunland Sales Co-operative Association (at present the only member) and selects its Board of Directors.

The three Organisations have approximately 5,000 employees at height of season, Sunland Sales Co-operative Association having offices and connections throughout the world.

The Sun-Maid Raisin Growers of California and Sunland Sales Co-operative Association are co-operative organisations created under the Laws of California. The Sun-Maid Raisin Growers Association is organised under the Delaware Law and is a stock corporation.

that all raisin grapes are to be sold to the association for the period 1923-1937 inclusive, the producer having the right to give notice of withdrawal at certain stated times in each year.

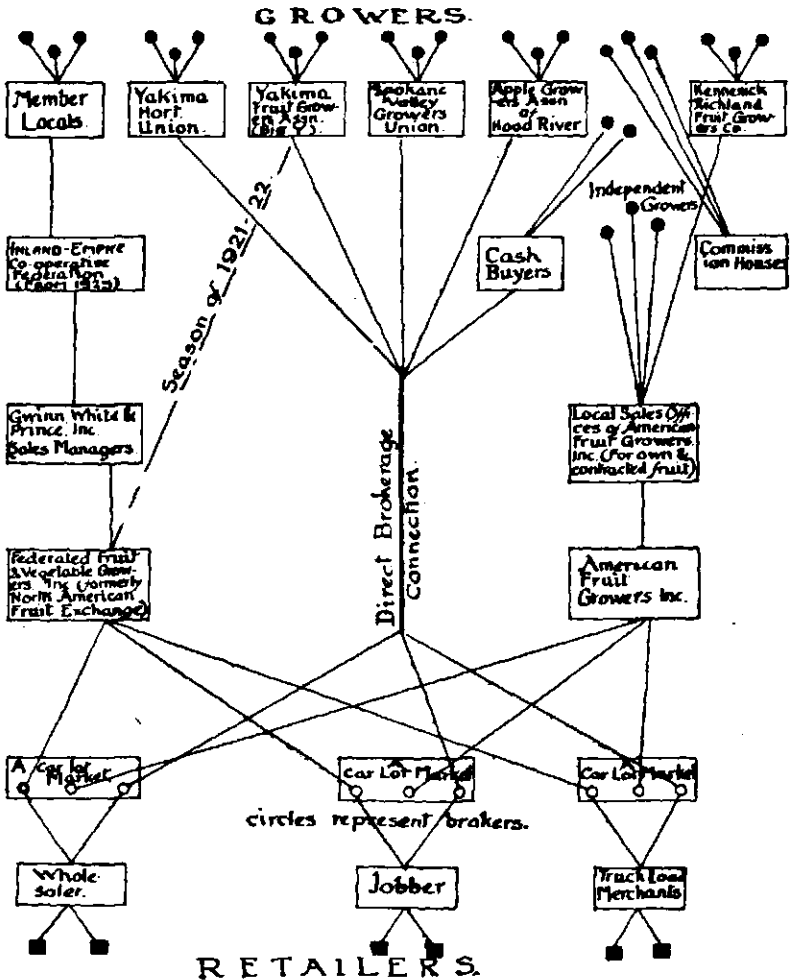
ORGANISATION OF APPLE MARKETING IN THE WENATCHEE, WASHINGTON DISTRICT.



Conditions as to kinds and qualities are laid down, and 6 days after the receipt of the raisins at the collecting station, the association makes as large an advance per pound "as in its judgment financial and marketing conditions will justify." All the raisin grapes must be thoroughly and properly dried and cured, of good colour, in original condition and free from damage of any kind, and

delivered not later than December 1st in each year. The raisins shall be mingled or pooled and sold with other raisins of like variety or grade, and the amount to be paid to the grower shall be

ORGANISATION OF APPLE MARKETING IN WASHINGTON DISTRICTS OTHER THAN WENATCHEE.



based upon the average price per pound at which all raisins of like variety or grade shall be sold during the calendar year in which that portion of each crop settled for is sold. Payment is to be made from time to time in due proportion until the

accounts of each pool are completely settled. Provision is made for liquidated damages on account of breach of contract, and that only the produce of members shall be accepted.

The central is composed of the office-bearers, chief officials, comptroller's division and growers' service division. This latter department has representatives throughout the valley, and a trained corps of men in the main office in order to report to the management the grower's point of view and to deal with complaints, criticisms and suggestions.

The Delaware Corporation, known as the Sun-Maid Growers Association of Delaware (Manufacturing Organisation) was created to perform, on behalf of the growers, the manufacturing, processing, and commercial functions except the finding of markets. It holds no title to the raisins, and makes no advances upon them; it serves the growers under a contract which provides that the duties of warehousing, processing, advertising and selling of raisins, shall be performed under the directions of the growers' institution. The Delaware Corporation receives according to the contract the following payments; (1) the cost of all processes, (2) dividends on its outstanding cumulative, non-assessable, preferred stock at the rate of 7 per cent. In practice, after working costs and dividends have been taken out of sales returns, the balance is remitted to the growers' organisation for distribution to the producers. The manufacturing subsidiary is, therefore, a large joint-stock corporation, of which the growers' organisation holds the ordinary stock and controls policy, but of which the preferred stock is held by outsiders or, at any rate, may be held by outside interests, and in this latter case the growers cannot wipe out stock by the method of assessment deductions per lb. of raisins. The directors of the manufacturing subsidiary are, therefore, in practice the directors of the growers' association.

Second of the subsidiaries is the Sunland Sales Co-operative Association, which merchandises the raisins and of which the Sun-Maid Raisin Growers of California are the sole members. It is a purely selling organisation, and its relationship with the Sun-Maid organisations is maintained by a contract with the Delaware Corporation under the terms of which the selling functions are delegated to this subsidiary. It consists of a sales administration division, with a direct sales organisation of an international scope, and a products administration division. In 1921 the plan of selling products through brokers was abandoned and the company set up its own sales staff; fifteen division sales offices were established in the U.S.A. and one in Canada, and in 1922 this was again supplemented by four additional sales offices in Canada, one in London; one at Shanghai; another at Amsterdam. Specialised salesmen have worked up the wholesale jobber and retail trade and the Sun-Maid brand has been widely advertised; one of the most spectacular achievements on the advertisement side was the development of the well-known 5c. packages of raisins as a confection, known as Little Sun-Maids.

This outline of organisation brings into relief the method of creating joint-stock subsidiaries which has become so prominent a feature in the policy of some super co-operatives. At first sight it seems an unnecessarily cumbersome way of achieving a simple end, which is to create a productive and processing department of the raisin growers association, but legal and financial reasons lie behind this development and will be touched upon in due course. In brief then, the growers deliver their raisins either to the packing plant or to the loading stations which ship to the packing plant; they are then graded, processed, pooled, and shipped; the price at which the raisins are offered to the trade being settled by the board of directors; the growers receive an advance and then a balance in two or three payments until the pool is closed. The crop contract provides, however, that the grower may be paid in stock up to the extent of \$4 per ton and this reserve goes to provide working capital and new equipment. The actual advances upon raisin delivery are made from bank loans obtained on warehouse receipts.

A Table (Table 29, p. 141) is appended showing the quantity and value of raisins handled, the amount received by growers, the average price paid to growers, and the advertising costs. A perusal of these figures, 1912-1922, sheds considerable light upon the recent troubles of the association; with a huge increase in the total quantity handled in 1922 and a steady fall in prices, the grower found his price per lb. decreasing from 13c. in 1920, to 7½c. in 1921, and 3¼c. in 1922. As, under the old crop contract, the payment of 4c. per lb. was the lowest permissible for standard grade, the association found itself in the extraordinary position of having paid away to members \$4,225,000 more than it received for the produce. It will also be noted that the advertisement expenditure has steadily increased until in 1922 it reached \$2,400,000.

C.—The California Prune and Apricot Growers Association.

The California Prune and Apricot Growers Association—A Centralised Type—The Sun-Sweet Organisation—Subsidiaries—The Membership Contract—Pooling Arrangements.

A good instance of the centralised type is represented by the California Prune and Apricot Growers, the Sun-Sweet organisation. It is a non-profit co-operative selling association, without capital stock, "for the purpose of encouraging and fostering the business of producing and marketing prunes and apricots co-operatively; for reducing speculation; for stabilising markets; for co-operatively and collectively handling the problems of prune and apricot growers; and for other pertinent purposes."* Under the terms of the membership agreements, growers deliver their crop of dried prunes and apricots to the association's packing houses. The association packs fruit, sells it, and returns proceeds, less operating expenses. Producers become members of the organi-

* See Membership Contract, Appendix 2, pp. 148-156.

sation on payment of a \$10 fee, and the organisation is controlled by a group of 15 directors; one being appointed by the Governor of California, the other 14 being elected by a voting board of 39; these in turn are elected for a period of 7 years by the members of 12 districts.

The warehouses, processing plants, and other physical equipment necessary for marketing prunes and apricots are owned, by the Growers Packing and Warehousing Association Inc., a corporation subsidiary to the producers' association; it owned and operated 30 plants in 1922 and was financed by the issue of \$3,500,000 of stock, half of this was preferred and was sold to the investing public. The warehousing company contracts with the growers' associations to store and process its fruit at a standard payment per ton, and the margin of profit, after meeting expenses, is to be used to pay dividends on the stock, and to accumulate reserves to buy in the preferred stock.

The membership contract is a somewhat significant feature of this association; the contract is binding for 4 years and for 3 more at the option of the association; this means a seven year period during which a member cannot withdraw; the liquidated damages are relatively heavy and altogether it appears expensive to leave the association after having once joined it. It is considered necessary to secure control of 75 per cent. of the prune and apricot acreage in order to enable the association to continue to function. Actually a larger proportion of the output has been controlled.

The delivery and pooling arrangements may be briefly described.

1. All prunes and apricots are to be delivered to the association at the common delivery points at the earliest reasonable time, in any event apricots before September 15th and prunes before November 10th. The association may make deductions on account of inferior grades or conditions at delivery against the individual grower; it provides inspectors and graders to standardise grade and classify the prunes and apricots.

2. The association returns to the growers the prices obtained less costs of packing, processing, manufacturing, handling, storing, depreciation, advertising and marketing, and an association charge not to exceed 3 per cent. of the gross proceeds from sales. Any surplus from such charges will be paid over to the growers on the basis of their respective deliveries.

3. The grower agrees that his fruit shall be mingled and that the net returns therefrom, less all costs, advances and charges, shall be credited and paid to him on a proportional basis, out of the receipts, from the sale of all prunes and apricots of like quality grade and classification. The association agrees to pay as substantial an advance payment on the prunes and apricots as the market and financial conditions permit, as soon as practicable after delivery, and such payments may be proportionately higher for fruit classified in more desirable grades

or sizes from the commercial standpoint. The proceeds of sales in the various pools are paid from time to time to growers but all collected receipts must be distributed for apricots by July 1st and by October 1st for prunes in the year following delivery. Each pool must be for the full season.

Usually the producer has received two-thirds of the value of his crop after delivery, followed in 3 months by a second instalment raising the amount to 75 to 90 per cent. of value and the balance at the close of the pool. The market is supplied at prices forecasted in August as capable of moving the entire crop and the produce is sold to brokers and wholesalers. Advertisement and trade brands are used on a large scale particularly in connection with the Sun-Sweet trade mark. This organisation has been in considerable difficulty within the last year or two owing to the heavy slump in prices and the size of the carryover and its management was reconstructed in 1924; several economies such as the closing of certain packing houses have taken place.

D.—The Minnesota Co-operative Creameries Association, Incorporated.

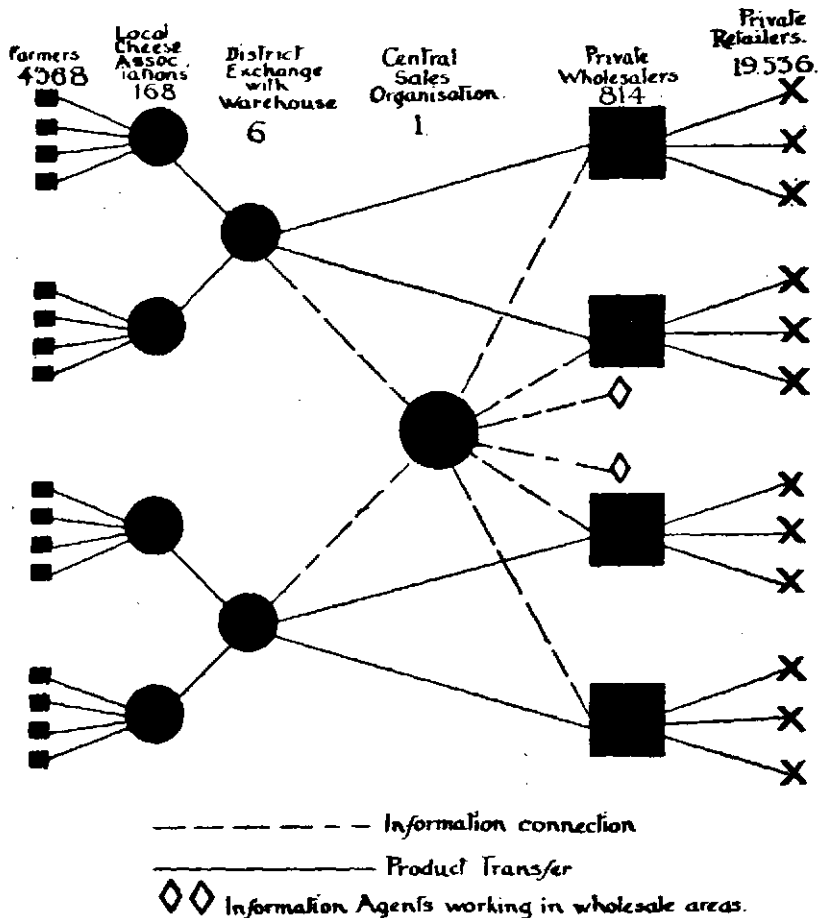
The Minnesota Co-operative Creameries Association, Inc.—Federal Type—Stock Corporation—Membership Agreement—Butter-Marketing Agreement—Creamery Patronage Contract.

This is a Federal form of organisation which includes 475 local creameries (1924) as members out of a total of some 645 co-operative creameries in Minnesota and 14 in Wisconsin. It is a stock corporation of which the members are the creameries; the headquarters are at St. Paul, Minnesota and there are 16 district associations each of which employs a manager. The duties of these managers are (1) to supervise the assembling of butter into car-loads for economical shipment into central markets (2) to assist creamery managers to produce a better and more uniform quality of butter. The association has offices in New York, Chicago and Philadelphia; the representative of the central inspects all butter going into these markets, checks freights, notes the price received as compared with market rates, and gives personal attention to the relation between the creameries and their wholesale customers. The central association was at its inception (1921) purely a service organisation; it was an intermediary to facilitate stable business relations between the creameries and their customers, but it has now developed and is putting into operation a scheme for pooling and selling butter; the butter will be assembled at St. Paul and Duluth, where inspection, grading, weighing, pooling by quality, and trade branding will take place. The main points in the organisation are included in three agreements: (1) the membership agreement between the creameries and the central organisation; (2) a butter marketing agreement between the

locals and the central; (3) a co-operative creamery patronage contract between farmers and the locals.

The local creameries are to pay to the association: (1) a sum not to exceed $\frac{1}{4}$ cent per lb. upon all butter marketed; (2) a further sum not to exceed 1 per cent. of the net selling price

WISCONSIN CHEESE PRODUCERS FEDERATION.



on all other products sold; (3) a third sum not to exceed 2 cents per 100 lb. of butter to be refunded monthly to the district associations to be used by the district associations as they may decide. The local is to furnish the central with a full account of all contracts between itself and its members so far as they affect the shipping of products; it agrees to accept the rules laid down

by the central with reference to the manner of conducting the business, shipping, marketing, branding, and labelling of its products, the collection of accounts, the kind and character of its employees, and generally to further the efficient performance of this contract as well as to allow the central to arrange to audit its books.

The central under its agreements assists in standardising products, bulking consignments, in giving proper field supervision, securing information regarding manufacturing, packing, marketing, shipping and sale of its products. It provides the necessary service and sales agents, handles all claims against railroads and others for the creameries, maintains a legal department, traffic department, and field department. The creameries deliver to the central association all butter manufactured except such as is consumed by their own members, or sold locally, or sold in St. Paul, Minneapolis, and Duluth, for actual consumption in such locality. The butter is delivered at stated times and places in good marketable condition and conformable to all State and Federal laws and regulations as to moisture, fat content, quality, and other requirements. The creamery agrees to fulfill all rules of the central respecting grading of cream, pasteurising, standardising of manufacturing methods, standardising the butter as to flavour, body, salt, colour and package, and the making of manufacturing reports. It accepts the grading established and agrees that any deduction or allowance, or loss, that the central may make on account of mould, overmoisture, deficiency in fat, untidy package and finish, inferior quality or condition at delivery shall be charged against the creamery individually. The central may mingle butter of like grades from creameries, may grade, brand it, warehouse it, and borrow money on the security of the product. After sale the central will remit to the creameries the proceeds less the deductions as soon as practicable after the end of the calendar month during which the sales are made. The net amount per lb. to be paid the creamery for such butter is fixed by mingling butter of the same grade in a pool in any calendar month and dividing the number of pounds in the pool by the net proceeds, then deducting any advances from the sum so obtained, also cost of transport, grading, testing, handling, selling, storing, financing, and marketing, also provision for reserves.

The working capital is provided by creating a permanent liquid revolving fund. This is accumulated by deducting one cent per lb. of butter sold by the association, the central delivering to the locals a certificate of indebtedness bearing interest at 6 per cent. per annum repayable in two years. There is thus a continual lapsing of two year old certificates and a taking up of new ones; this scheme of providing working capital is characteristic, and is found in other organisations such as the New York Dairymens League; it has certain advantages in allowing the provision of sufficient working capital to be distributed over all

present members of the central in proportion to their business. The contract runs for two years and thereafter annually with a liquidated damages clause for breach of contract.

The third contract between the farmer producer and the local creamery points out that the successful operation of a creamery is dependent upon its continuous receipt of a large volume of butter fat in good condition. It therefore lays down as a basis a five years contract within which period the producer shall deliver or consign to the creamery all butter fat produced by cows owned or controlled by him; the creamery agrees to manufacture and sell the products and to remit not later than the 25th of the month following delivery, the average price received by it for all butter fat of the grades delivered by the farmer less service charge. There is included (1) the pooling clause, (2) the liquidated damages clause for breach of contract, and (3) the injunction clause to prevent further breach of contract. The creamery also agrees to sell a customer one or more shares of stock at par or book value.

Apart from the financial arrangements already explained, the authorised stock according to the articles of incorporation is 500,000 dollars, of which 100,000 dollars (in 25 dollar shares) are common stock controlling the voting; only locals can be common stock holders; the remainder, 400,000 dollars in 25 dollar shares, has no voting rights, receives 7 per cent. interest non-cumulative; preferred stock is only issued to actual producers and may be bought in at par after any dividend date. The management is vested in a board of directors elected by districts and by associations. This large de-centralised association is estimated to have a membership of over 100,000 and has adopted as its trade brand for high quality cream butter Land O'Lakes.

E.—The Twin City Milk Producers Association of Minneapolis and St. Paul.

Twin City Milk Producers Association of Minneapolis and St. Paul—
Purpose of the Association—Centralised Type—Membership Contract—
Surplus Milk—Policy and Plans for dealing with Surplus.

The Twin City Milk Producers Association is an organisation of 6,000 milk producers in the Minneapolis and St. Paul milk marketing area, the population of these two cities being in the neighbourhood of 700,000; it is estimated to control 70 to 75 per cent. of the fluid milk marketed in this district. As this area lies in the heart of the greatest dairying district in the United States, it is somewhat notable to find such an organisation so securely built up. The purpose of the association is to bargain with distributors as to milk prices and to handle surplus milk. The bargaining is done monthly and the factors influencing price variation are (1) the average price of Twin Dairy and Young America cheese on the Plymouth, Wisconsin, market and the average price of New York extra butter during the preceding

month (2) local demand (3) local supply. The surplus milk is made into butter, cheese, dry milk and cream in 14 plants which are located in the heavy milk-producing areas.

In organisation, this milk society belongs to the centralised form, the members being directly connected up with the association and there being no local milk marketing units. The contract, which is self-renewing for periods of one year unless notice be given at the stated time, lays down; (1) that the member must take at least one \$50 share for each four cows owned. Payment need not be made in cash but will be deducted from the member's cheque at the rate of 5 per cent. each month until the stock is paid for. (2) The producer agrees to consign all milk and cream from the cows owned or controlled by him except such as is for farm use or for retail sale by himself. (3) The association agrees to remit as soon after the end of the month as possible the price obtained for milk and manufactured products, less expenses, the price being averaged for the milk and allowance being made for the butter fat percentage. (4) A liquidated damages clause for breach of contract is included.

The association deals with members only and is divided into units, known as locals, but these are deliberate and not marketing units. There are fifty of these and they are formed wherever groups of producers come naturally together; they nominate directors of whom there are 50, and these nominations are presented at the annual general meeting for the vote of the entire membership. While these locals have no legal significance, they form a method by which members of the association can keep in touch with its affairs, and help to soften the sharpness of centralisation upon large numbers of producers. The capital stock of the organisation is \$1,000,000 divided into 20,000 shares of \$50 each, of which \$600,000 was paid up in 1923.

The notable feature in this association's work is its acceptance of responsibility for surplus, which it manufactures in its various plants, without hauling to Minneapolis or St. Paul, into butter, cheese, milk-powder, condensed milk, ice-cream, casein. The process is described as follows by the manager: "All our supplies come from within a radius of 40 miles from the cities. This ensures absolutely fresh milk, which is collected daily by motor trucks and brought immediately to the city distributor or to our nearest plant. We have 140 truck lines operating under contract and supervision of our traffic department, and we take no two-day-old milk."

"As the cow's production increases in the spring, we simply take off the farthest plant first as a distributing centre and it starts to manufacture dairy products from its daily receipts of milk." This causes a considerable saving in transport. "As the flow further expands, other plants start up as factories and stop as shipping centres."

"Each producer by this plan gets exactly the same price, less of course the transportation costs, whether his milk is hauled to our plants to be made into butter or cheese, or whether it is marketed

as whole milk. There are no profits to distribute, no dividends to pay. We simply charge off each month the expenses of marketing all the milk received by the association in whatever form of product. We deduct, besides, one half of one per cent. for our sinking fund, according to the Minnesota Co-operative Marketing Law. Then we distribute the net amount received from the sale of the entire pooled product back to the producer according to the amount (and quality) of milk he furnishes."*

This policy, it is urged, (1) gives the member an unfailing market, (2) allows him to sell on his own weights and tests; (3) allows of advertisement of his products by a large scale organisation; (4) makes large collective contracts with milk distributors possible, and eliminates the necessity of distributors having buying agents in country areas; (5) places in the farmers' hands the chief key to the bargaining position by the possession and working of manufacturing plants and by the care of daily fluctuation as well as seasonal surplus; (6) has greatly improved the quality of milk and eliminated waste due to sour milk and off-grade cream.

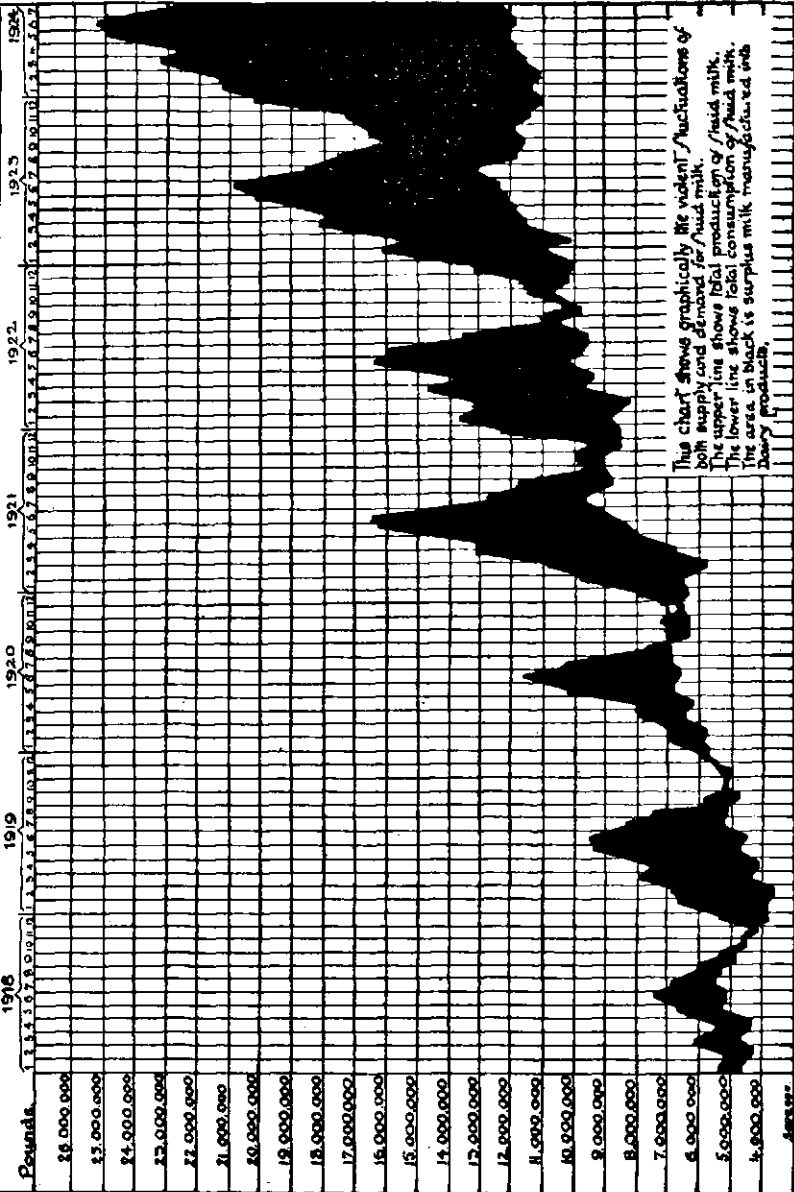
It is clear, however, from the statements of the leaders in this organisation that they regard the seasonal surplus, with its reaction upon the averaged pool price for the month, as a serious problem owing to the continued growth in the amount of milk to be disposed of at other than fluid milk prices. The matter is put in the following way in the Twin City Milk Producers' Bulletin (June 1924); "for several years we have been urging our members to have cows freshen early in the fall when the price of milk is high. . . . Our preaching does not seem to have done much good. The following table shows the average production per farm in June and October in the years from 1918 to 1924."

		<i>June.</i>	<i>October.</i>
		lb.	lb.
1918	- - - - -	5,266	2,821
1919	- - - - -	5,340	2,776
1920	- - - - -	5,266	2,898
1921	- - - - -	5,462	3,393
1922	- - - - -	5,434	3,580
1923	- - - - -	5,518	3,533

"Members object," the bulletin proceeds, "to low prices in the summer time but go on producing twice as much milk in June as in October and November . . . This extreme fluctuation makes it necessary for us to provide plants and equipment to take care of the large amount of milk produced in June. Much of this equipment is not used to capacity during the rest of the year. It would seem from these figures that members will not do the thing that is to their own interest unless they are forced to, and that it may, therefore, be necessary to work out some surplus plan which will prevent this fluctuation."

* Quotations from Twin City Milk Producers' Bulletin.

MILK EBB AND FLOW ON TWIN CITY MARKET



This chart shows graphically the violent fluctuations of both supply and demand for fluid milk. The upper line shows total production of fluid milk. The lower line shows total consumption of fluid milk. The area in black is surplus milk manufactured into dairy products.

Source

This point had been driven home in November 1921 (Bulletin) by means of a Sales and Surplus Chart, which is brought up to date below, and certain instances of extreme variation in supplies, and on the other hand instances of steadiness may be cited :

	June.	September.	June September.
<i>Stanton.</i>	lb.	lb.	
Producer No. 1 - - -	11,924	2,651	4.5
" " 2 - - -	10,658	3,057	3.4
" " 3 - - -	13,206	3,061	4.3
" " 4 - - -	6,741	1,930	3.5
" " 5 - - -	7,688	2,176	3.6
<i>Northfield.</i>			
Producer No. 1 - - -	6,940	1,107	6.3
" " 2 - - -	13,006	4,053	3.2
" " 3 - - -	10,009	4,750	2.1
<i>Woodbury.</i>			
Producer No. 1 - - -	3,908	1,338	2.9
" " 2 - - -	8,004	2,660	3.0
" " 3 - - -	8,121	1,949	4.3
<i>Page.</i>			
Producer No. 1 - - -	679	57	11.9
" " 2 - - -	807	196	4.1
" " 3 - - -	23,783	7,582	3.1
Producer No. 1 - - -	3,259	4,458	0.7
" " 2 - - -	8,696	12,783	0.7
" " 3 - - -	3,811	5,436	0.7
" " 4 - - -	787	724	1.1
" " 5 - - -	4,163	6,019	0.7
" " 6 - - -	11,685	10,365	1.1

The plan suggested was based upon the Philadelphia plan and included the following points; (1) that the production of September, October and November be taken as a base; (2) that each member be allowed the average amount of milk produced in these months, plus 20 per cent. or such other percentage as the directors may allow at the standard price and all over this quantity at a lower price to be fixed by the board. This plan could not be put into effect owing to the character of the membership contracts in force. Another issue which the directors have had to face is that as surplus grows, pooled price becomes increasingly unfavourable when compared with the liquid milk price to distributors, and near-in farmers are inclined to object to pay a price which they consider too great to keep their fluid market from being flooded by milk from the outer milksheds.

This point may be illustrated by the milk figures for May, 1924.—

	per 100 lb.
Price to Distributors, May 1st to 16th	\$2.25
Price to Distributors, May 16th to 31st	2.10

Pool Price - - - - - \$1.80 for 3.5% milk.

Uses of the Milk delivered:—

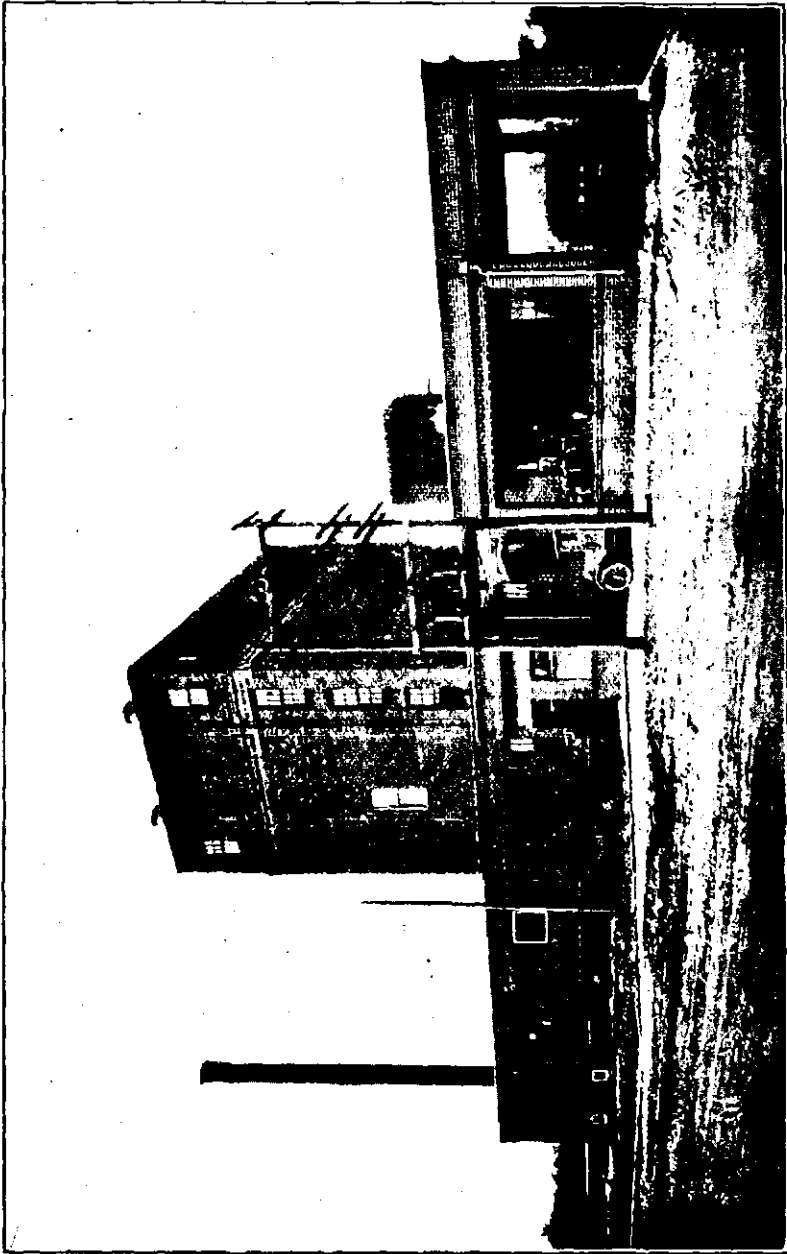
	lb.
Sold to Distributors - - - - -	12,110,952
Separated for Sweet Cream and Butter - -	10,687,405
Cheese - - - - -	1,857,732
Ice Cream - - - - -	8,819
Condensed - - - - -	232,614
Miscellaneous - - - - -	8,833
	<hr/>
	24,906,355
	<hr/>

This difficulty arises in connection with other milk organisations and has led to an elaboration of the pooling system so as to favour to some extent farmers who are in a distinctly fluid milk area. The only differentials in price at present in the Twin City Pool Scheme from the farmers' point of view are (1) haulage costs, (2) quality based on butter fat percentage, starting from 3.5 per cent. standard. The association blames the near-in dairy farmers for not co-operating with the 6,000 members* but the point is one of general importance in pooling since such farmers may receive a price higher than the pool though lower than the association's distributive level.

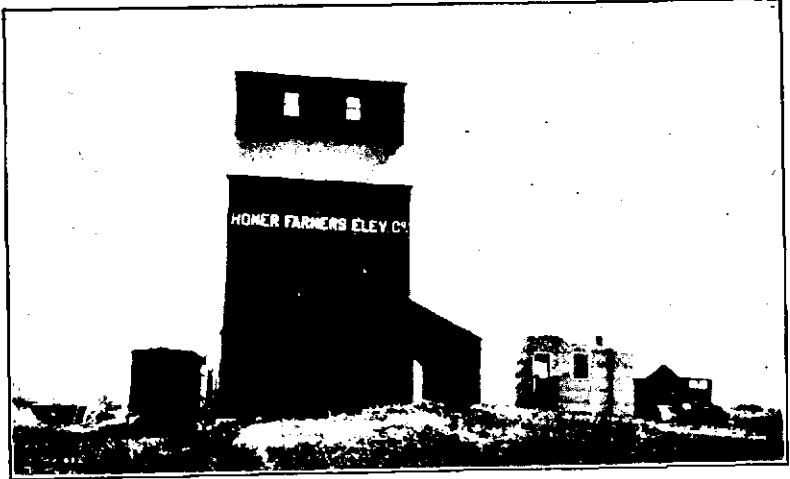
The second point is that the co-operative association has found a tendency on the part of outside farmers and distributors to allow it to accept responsibility for the surplus difficulty while they trade in outside supplies and then use the association for the quantities necessary to balance supply and demand. The association has naturally objected to this policy of "letting George do it" as unfair, since these distributors buy outside quantities at less than the association price, and has considered (1) either going into the business of milk retailing of which it has already some experience in one of its country areas or (2) calling upon firms taking outside supplies to pay a certain subsidy per 100 lb. for the association's service of managing surplus; this latter plan is for the time being in operation (August 1924); the distributors agree to pay a service charge on outside milk equal to the association's "spread"; for instance, taking the dealer's price to the association as \$2.50 per 100 lb., the pool price as \$2.20, the spread is 30c which goes to maintain 15 surplus milk plants and other services. "The non-member is therefore to pay his share of the expense of

* See Bulletin, June, 1924.

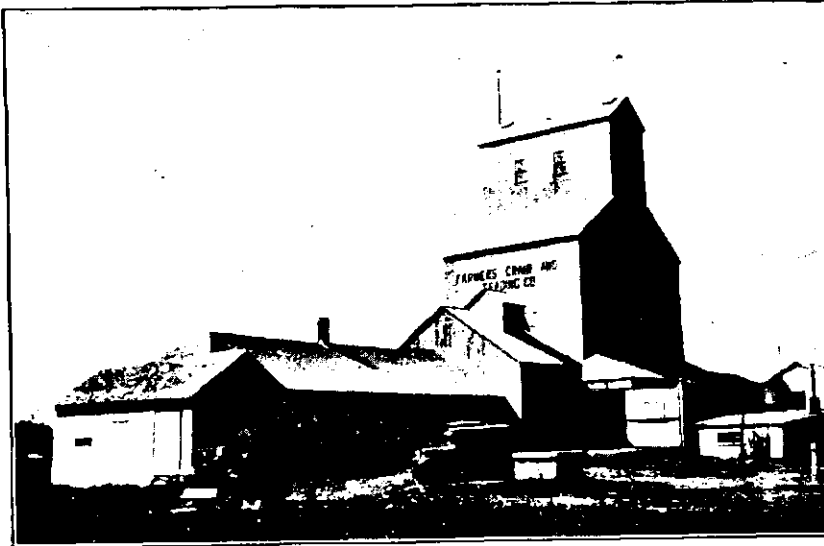
[To face page 58.]



TWIN CITY MILK PRODUCERS' ASSOCIATION.
THE ANOKA PLANT.



HOMER FARMERS' ELEVATOR COMPANY.



FARMERS' GRAIN AND TRADING COMPANY.

taking care of the surplus and maintaining a steady, favourable outlet for milk in this territory" (August Bulletin). Some notion of the size of this milk producers' association is given by the following figures.

Statement I.—Sales and Products.

	1918.	1922.	1923. (9 months)
Sales	\$2,103,183	\$4,313,275	\$4,810,274
Added to Sinking Fund	\$10,629	\$21,592	\$24,077
	lb.	lb.	lb.
Cheese sold	951,648	811,860	828,074
Butter sold	168,557	1,868,334	1,973,970
Farm Separated Cream received	912,986	3,480,503	3,547,806
Milk Handled	72,598,801	161,502,871	161,308,422
Sweet Cream shipped	—	—	1,958,645
Skim Milk Powder made	—	—	628,009
Dry Casein made	—	—	260,862
Condensed Skim (5 months)	—	—	98,561
			gal.
Ice Cream made	—	—	31,994

Statement II.—Membership and Shares.

	Jan. 1st, 1922.	Jan. 1st, 1923.	Nov. 24th, 1923.
Members	3,789	4,270	5,690
Shares sold	7,416	8,339	11,954
Value of Stock sold	\$370,800	\$441,950	\$597,700
Refunds on New Stock cancelled	\$7,514	\$12,328	\$15,168

It ranks from many points of view as one of the soundest and best co-operative organisations in the U.S.A. Occupying a difficult position in a great dairying area, it has built up by conservative management and constructive service a notable marketing organisation.

F.—The New York Dairymens League.

The New York Dairymens League Co-operative Association—Sources of New York's Milk Supply—Departmental Organisation—Membership Service Branch—Membership Contract—Financial Arrangements—Revolving Capital Plan—The Pooling System.

Without attempting any account in detail of this well-known business organisation, certain characteristic features of its

structure and working may be mentioned. The present organization which dates from 1921 is a non-stock, non-profit, pooling association, which bargains with dealers as to prices and accepts responsibility for the surplus of its members; its membership has varied considerably but is now (1924) roughly 65,000 with a cow constituency of 750,000; it works 126 plants of which it owns 93 and leases the remainder; its employees number almost 3,000 including salesmen and its receiving stations are over 950. The turnover for the year ending 31st March, 1923 was \$82,000,000 and the pounds of milk handled were 3,359,000,000. The following Table of gross sales for the fiscal year 1922-1923, reveals the extent of its business.

Gross Sales for Fiscal Year.

From 1st April, 1922 to 31st March, 1923.

Fluid milk sold to dealers	- - -	\$59,702,495·81
Sales from plants operated by association :		
Fluid and Skim Milk	- - -	\$8,359,362·30
Cream	- - -	2,447,934·87
Homo	- - -	16,601·46
Buttermilk	- - -	19,245·91
Plain Condensed	- - -	197,255·53
Sweetened Whole Condensed :		
Domestic	- - -	311,925·35
Export	- - -	482,672·86
Evaporated :		
Domestic	- - -	4,144,992·53
Export	- - -	509,637·33
Sweetened Skim Condensed		243,002·48
(bulk)		
Whole Preserved Condensed		138,689·94
(bulk).		
Skim Powder Spray	- - -	150,263·11
Butter	- - -	2,098,801·59
Cheese	- - -	2,584,258·27
Pot Cheese	- - -	13,380·85
Casein	- - -	37,901·39
Ice Cream	- - -	672,285·59
Skim Powder Roller	- - -	195·00
		<hr/>
		22,428,406·36
		<hr/>
		\$82,130,902·17
		<hr/>

The area covered by the association stretches in the form of a triangle to Buffalo and Niagara in the West, to the St. Lawrence in the North, and to Pennsylvania in the South, covering parts of four other States besides New York, an outside distance being roughly 400 miles from the city market where 90 per cent. of the association's sales are made. The League supplied directly and through dealers 40 to 42 per cent. of the milk receipts of New York in 1923, the actual percentages being

association 11 per cent., association dealers 29, outsiders 60; for the first 7 months of 1924, the figures were association 12 per cent., dealers 28, outsiders 60.

There has been organisation of some kind among groups of dairy farmers dealing in the New York market since 1907 and collective bargaining had been resorted to on the "flat" rate for all milk plan; in 1916 the association then existing ventured into the field of sales agency and a series of tumultuous years followed until the present organisation succeeded in establishing itself; the main cause of difficulty was again the seasonal surplus, although there was always a general surplus over fluid requirements in the district in the sense that dairy products were made all the year round.

The League is the largest milk producers' association in the world and its present departmental organisation is elaborate; it includes a production department including all forms of processing, a veterinary division, sections dealing with research, laboratory work, sales and advertisement, export, engineering for the operating and maintaining of 38 refrigeration plants, a bureau of nutrition, traffic, warehousing and purchasing divisions as well as the general accounting and statistical control departments and an important membership service branch covering the matter of contracts, field work and local organisation.

Two departments deserve attention; (1) the sales and advertising branch which has as its objects to improve the marketing of fluid milk and to sell favourably all by-products; the trade brand adopted is Dairy Lea and over 358,000 dollars were spent in advertising in the year 1922-23. Drives and campaigns are organised and the country is worked systematically by means of newspapers, magazines, trade papers, electric signs, posters, window and counter displays. In the fluid milk business the League took over two large distributing plants in New York and New Jersey and entered the direct to the consumer business; the tendency is to develop this side of the work. Export sales are also pushed by special representatives in London, Singapore, South Africa, East Africa, and West Africa; (2) the membership service branch which makes the business contact of each farmer with the association. This includes a contract section which deals with withdrawals, new members, breach of contract, distribution of members by districts and so on. The figures provided by this section show the reasons for the difference between the total number of members and the number who pool their milk; all checking of dealers' milk sheets is carried out and the detailed character of the work done along with the accountants' task of writing monthly cheques illustrates the view often expressed that calculating machines have made the giant co-operative feasible.

Lastly the records of the 950 locals together with accounts of the 17 divisional groups and the 43 sub-districts are dealt with by the membership service. The provision of speakers,

the carrying out of propaganda in the interests of the association, the publication of the Dairymens League News and similar work is associated with the work of this department.

The Membership Contract.

Turning to the structure of the association the membership contract binds the producer to accept the League as his sales agent with power to sell milk as fluid or in its discretion as milk products, the proceeds of all such sales to be pooled and distributed.

The Liquidated Damages Clause states that on failure to deliver milk, the producer shall pay \$10 per cow and if default continues beyond one month an additional \$3 per cow per month. The milk is to be delivered at such shipping stations or other plants as the association directs; the milk must satisfy sanitary regulations and be in good marketable condition. The producer is called upon to endeavour to regulate his monthly proportionate quantities of milk to ensure an even supply.

A farmer may give away or retain milk for his own use but cannot sell products contracted to the association, and if he receives a better offer than the price received by the association, then he must turn over such terms to the League.

The price to be paid less deductions is the average pool price subject to differentials for variations in quality, distance from market, use to which the milk is put. The month is the pool period and a 13th settlement is made at the end of the year.

The League also makes deductions from price to create a capital fund to repay its loans; to be used in building warehouses or other necessary buildings; to purchase land and buildings; to secure equipment and working capital. For such deductions the member receives at the end of each fiscal year a certificate of indebtedness which bears interest at 6 per cent. for 5 years. This is the so-called revolving capital plan of which an example has already been given; it automatically wipes out the 5-year-old certificates as it creates the new ones and, with a large and constantly changing membership, it clears up the difficulty of retired and lapsed members as regards stock rights and spreads the burden of financing the association over the whole of its active members. The contract is self-renewing for each year unless cancelled by notice at a given time and includes a special clause to cover the subscription to the Dairymens League News.

The Pooling System.

The somewhat elaborate intricacy of the League pooling arrangements is due to the character of the area served and to the relation of the association to dealer customers who take 2 to 3 times as much milk from its members as the corporation absorbs into its own trade channels. A general view may be obtained however, by considering the pool from two sides.

1. The distribution side where the main point is the price to be charged for the differing use to be made of the milk to be delivered. There is a sliding scale of prices according to whether the milk goes into liquid use or is made into condensed milk, ice-cream, butter, cheese and so on. Milk sent to dealers will partly go into one use and partly into another and the proportion will vary with the spring and summer increase in output.

The scale of prices based on a classification of uses starts from the price for Grade B milk testing 3 per cent. of butter fat at railroad points distant 200-210 miles from New York. It is therefore clear that Grade A milk will receive an additional differential; additional cents will be given for rises in the percentage of butter fat over the 3 per cent. standard; there are also allowances for freight differences.

The following are the milk classes with base prices for October, 1924.

Price per 100 lb.

\$2.60	Class I. All milk for fluid market.
\$1.90	Class IIA. All milk made into cream. If skim milk is not profitably disposed of, 10 cents to be added.
\$2.05	Class IIB. All milk made into plain condensed milk, ice-cream, special cheeses, homogenised products.
\$2.05	Class IIC. All milk for soft cheeses, e.g. Neufchatel, etc.
\$1.45	Class III. All milk for powder milk, chocolate; special cheeses, etc.
	Class IVA. Milk made into butter. Rate to be based upon outside quotations for New York 92 score butter.
	Class IVB. Milk made into American cheese. Average price in New York market.

The following figures are quoted to show the proportion of milk in each class for August, 1924.

*Pooled and Unpooled Milk Handled
by Dealers and by the League.*

Class	million lb.	per cent.
I	99.2	48
IIA	33.9	16
IIB	8.8	4
IIC	2.5	1
III	44.8	22
IVA	11.5	6
IVB	5.9	3
	<hr/> 206.6	<hr/> 100

Milk Handled by the League Alone.

		million lb.	per cent.
Class	I - - -	44.1	69
"	IIA - - -	8.4	13
"	IIB - - -	1.7	3
"	III - - -	4.4	7
"	IVA - - -	2.8	4
"	IVB - - -	2.5	4
		<hr/>	<hr/>
		63.9	100
		<hr/>	<hr/>

The League is therefore strong in the fluid milk market.

2. The other side of the explanation of the pool is the farmers'. Starting once more from the basic price of Grade B. milk at the 201-210 mile zone testing 3 per cent. of fat, the variations to the producer arise from the following factors, namely, the grade, the butter fat percentage, freight and haulage. Quoted below is the League statement of the pool price for August, 1924, showing all expenses as a deduction from the base figure \$1.72 per 100 lb.

It may be noted that the pool price \$1.72 per 100 lb. seems somewhat low on a fluid milk price for August of \$2.06 for August 1st to 18th, and \$2.60 for August 18th to 31st but that is a characteristic difficulty of all milk organisations which distribute the burden of surplus over all their members; a large volume of manufactured milk drags down the average and this has suggested to some that there should be more than one pool so that fluid milk distributors near the market should not feel they were over-subsidising distant producers to keep out of New York. This notion of a premium pool is being tried in Chicago.

A last feature of the League is its government by a board of 24 directors divided into 3 classes, 8 for one year, 8 for 2 years, and 8 for 3 years. Each director is elected by a district and makes it his business to keep in touch with feeling in the locals in his area. The League trades only with members but will give service in certain ways to outsiders at a service charge or fee.

Pool Price for the Month of August, 1924.

The average price received for all Grade B Milk in the 201-210 mile zone, testing 3 per cent. of fat, including both that sold direct to dealers and that handled in the plants operated by this association, will amount to approximately \$1.72.

NOTE.—Any variation from the above stated price is due to grade, butterfat, freight, hauling and other established differentials.

The total administrative expense amounts per hundred pounds to - - - - -	\$.038
Deduction is being made to be distributed to local associations, to cover local expenses, per hundred pounds -	.002
Deduction is being made to be distributed to sub-district organisations to cover expenses per hundred pounds -	.001
Deduction is being made and is being credited to our advertising fund to the amount per hundred pounds -	.02
Deduction is being made to create insurance fund to cover losses by uncollectible accounts and other losses - -	.003
Deduction is being made to cover depreciation in value of fixed assets due to decline in cost of building and equipping plants and to cover goodwill of businesses purchased and which it is deemed inadvisable to carry as an asset - - - - -	.01
Total, including administrative, locals, sub-districts, advertising, uncollectible accounts and extraordinary depreciation, amounts per hundred pounds to - -	.074
Deduction is being made for extraordinary hauling charges - - - - -	.011
	<hr style="width: 100%;"/>
	.085
Deduction for capital account for which Certificate of Indebtedness will later be issued - - - - -	.10
Cash payment on September 25th to cover deliveries during the month of August per hundred pounds - - - - -	1.535
	<hr style="width: 100%;"/>
	\$1.72
	<hr style="width: 100%;"/>

G.—(a) Interstate Milk Producers' Association of Philadelphia.

A brief reference may be made to the Interstate Milk Producers Association in the Philadelphia milk producing area, since it is the originator of a plan for distinguishing market milk from surplus milk which has been adopted by the National Farmers' Union in England and Wales. It is purely a bargaining organisation which bargains with distributors and manufacturers of dairy products for the price of milk. The association does not convert the surplus into finished products, that is done by private concerns with whom the association has a working agreement. The association contracts with its members for delivery of their milk not used for farm consumption, and pools its supplies; the contract is self-renewing and runs for 6 months. The chief points in the Philadelphia basic surplus plan are:—

1. Each producer shall be credited with the amount of milk delivered by him during October, November and December; the average production of these 3 months shall be known as the basic quantity.

2. During the following nine months, he will receive the base price, determined by a joint conference of producers and distributors for the following percentages of this amount of milk:—

Jan.	100	April	100	July	110
Feb.	100	May	100	Aug.	110
March	100	June	100	Sept.	115

3. For additional amounts each farmer will receive an amount based upon the price of New York butter. For an amount of milk surplus equal to the basic quantity, the average price of 92 score butter plus 20 per cent. will be paid; if the surplus extends beyond this limit then, from January to June, only butter price will be paid, but, from July to September, butter price plus 20 per cent. The influence of the basic surplus plan upon the seasonal supply of milk appears to be working out as expected in an increase of winter supplies.

The Interstate Milk Producers Association started in 1917 and has now (1924) 18,000 members; its stock is \$100,000 in shares of \$2.50; the number of shares held by a member being based on the number of cows owned or kept by him. Besides acting as selling agent for its members, it checks tests for butter fat and its general expenses are met by a deduction of 2 cents per 100 lb. of milk shipped by its members; this amount is transmitted by the dealer to the association.

(b) The Chicago Milk Producers Co-operative Company.

This organisation started in its latest form in 1922; it is a non-stock, non-profit association with a subsidiary company to hold the manufacturing plants.

The feature of notice in this venture is that instead of one pool coincident with the marketing area, it created four pools, one each for milk areas, condensed milk, butter and cheese. Into each pool are placed its own receipts; all producers will be paid the pooled average of the lowest price pool plus two-thirds of the amount by which their pool exceeds the lowest pool. The remaining third goes into a general pool to be distributed to all producers in proportion to their deliveries. This is a means of paying dairymen in the outer districts to keep out the fluid milk market while retaining a premium for the steady city milk producer.

Steen has also pointed out* that this association has distinguished between a milk price charged to dealers and a service price which is high enough to cover the costs of operating surplus plants. This organisation is, however, too youthful for any deduction to be made from its endeavours.

* See Steen, Co-operative Marketing, page 185.

H.—(a) The Central Co-operative Livestock Commission Association, St. Paul, Minnesota.

The Central Co-operative Live Stock Commission Association, St. Paul, Minnesota—National Live Stock Producers Association.

The Central Co-operative Livestock Commission Association is a federation of about 400 local livestock shipping associations in the St. Paul area; it represents the most advanced form of association dealing with livestock in terminal markets:—There is in this case no membership contract between local and central although at least one of the leaders strongly urged the need of one; there is no pooling organisation except a limited amount of mingled sales meant to expedite and facilitate business. The actual function of the central is therefore to act as a commission agent for the locals and the main emphasis is upon the volume of business since expansion reduces the commission fee and allows of large scale selling. The association may also regulate shipment by advising its customers when to despatch. Stocker and feeder* subsidiaries are attached to the association; they accept orders to buy and are also formed to protect shippers to commission houses by furnishing competition whenever the regular buyers show a tendency to stay out of the market.

Membership is by fee and by purchase of stock to the extent of \$25 for each 50 cars of livestock handled annually. Any surplus obtained by commission work is returned by way of dividend in proportion to business done. The returns for stock sold, less expenses, are pro-rated back to the local shipping units. Only livestock locals or individuals engaged in producing livestock can be members, but business may be done with non-members although not to a greater degree than 50 per cent. of the total business of the association, and no patronage dividend can be paid except to members.

In certain respects this association is similar to a livestock terminal association, such as the Chicago Producers' Commission Association, which is financed by membership fees and commission earned upon the services rendered to its members, who are individual livestock producers, partnerships or co-operatives. Such organisations, mainly founded after 1920, appear to have had a notable success as regards the proportion of custom which they receive in the large markets, and the St. Paul association is credited with selling a considerable percentage of the total receipts of that market shortly after its commencement. The general objects of such commission associations are stated to include: (1) the betterment of the methods of marketing livestock; (2) the buying, handling, selling and marketing of livestock for their members and others; (3) co-operating by contract or otherwise:

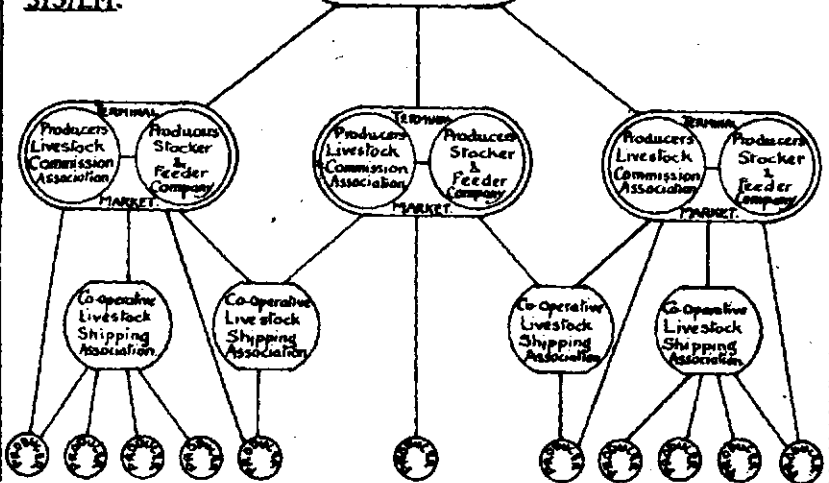
* Stockers and feeders are animals that must be developed further before being slaughtered. Stockers require further preparation before fattening, feeders are ready to be fattened. *c.f.*, Clemen: "American Livestock and Meat Industry," p. 485.

PLANS FOR
PRODUCERS LIVE STOCK COMMISSION ASSOCIATIONS,
NATIONAL LIVESTOCK PRODUCERS ASSOCIATION,
PRODUCERS STOCKER & FEEDER COMPANIES,
CO-OPERATIVE LIVESTOCK SHIPPING ASSOCIATIONS,
ORDERLY MARKETING OF LIVESTOCK.

DIAGRAM OF CO-OPERATIVE LIVESTOCK MARKETING SYSTEM.

NATIONAL
LIVESTOCK PRODUCERS
ASSOCIATION.

PREPARED BY FARMERS
LIVESTOCK MARKETING
COMMITTEE OF IS.



with other associations or individuals conducting business for similar purposes; (4) the reduction of speculation, manipulation and waste in the marketing of livestock; the registration, acquisition, and use of trade marks and other emblems to distinguish shipments.

Such associations are commonly affiliated to the National Livestock Producers Association already alluded to in Chapter II., and the diagram above explains the plan of organisation

contemplated. This latter body supported by membership fees seeks to perform the following functions :—

1. To act as an overhead agency for terminal marketing associations; and to organise new terminal associations.
2. To study marketing methods, together with the laws and regulations put into operation by the State and Federal Governments; to watch freight rates and tariffs.
3. To disseminate market statistics and information and to study a plan of orderly marketing.

(b) The California Cattlemen's Association.

This association was only in process of birth in 1924 but it has been thought worthy of mention because it represents an entirely different form of organisation in livestock marketing from the agencies described above.

It is a non-stock, non-profit centralised form of enterprise with a membership contract, and it shows the features of many of the centralised types already outlined.

The scheme has been developed as follows* :—

The State is divided into approximately 12 districts; in each district a servant of the association is constantly studying his territory, its supply of cattle, their conditions and quality, and when they are ready for market. It is the duty of these officers after instructions from headquarters to grade, select and ship cattle. The price based on government standard grades is established by the association and re-set as often as need be to meet changing conditions of demand and supply.

The cattleman will be given the right to name a minimum price which he will accept for his cattle but it must not be lower than the association price for the same grade and quality. To settle differences of opinion as to grade of cattle for delivery, an arbitration clause is provided in the contract between the member and the association. The price will be based upon quality and the delivered value at the larger market points; the present practice by which produce is paid for on the basis of ranch weights or shipping point weights will be continued, allowance being made for loss due to driving, standing, or equivalent shrinkage. The price set by the association for any particular grade of cattle will be the amount paid by the packer and the producer will receive this price less transport. Thus all packers will be paying the same price for the same grade of cattle.

To finance this method of marketing, the association will retain an amount not to exceed 2 per cent. of the gross sales, any excess over costs of service to be returned pro rata to each member at the end of the year's business. The packer will pay the association and, after deductions, the association will forward the amount to the owner.

* See California Cattlemen's Association Proceedings, December, 1923.

The operation of the membership contract was contingent on a sufficient number of cattlemen joining in the scheme, and the main clauses deal with (1) the position of the association as exclusive agent for the producer; (2) the collection of the proceeds of sales by the association, the deduction of an amount not exceeding 0.2 per cent. of the gross sales price.

The contract is yearly and self-renewing unless cancelled.

J.—The North-West Wheat Growers Associated.

The North-West Wheat Growers' Associated—Method of Working—
Functions of the Central.

In 1923 this co-operative capital stock organisation came into being as the marketing agency for nine State co-operative wheat-marketing associations; originally it had started in 1920 as the agency for three States in the Pacific North West, Idaho, Washington and Oregon. It is controlled by a board of directors whose members are appointed by the nine State organisations that are under contract to market through its agency.

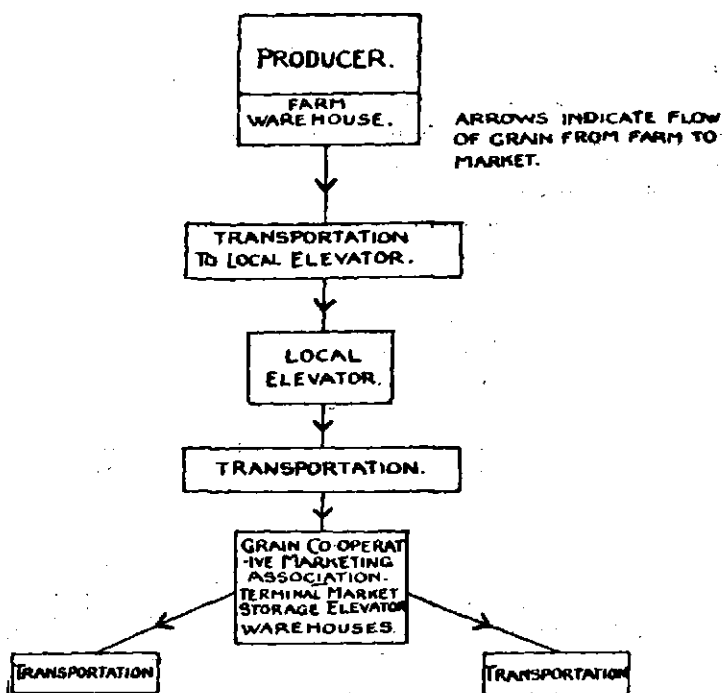
The organisation is the exclusive sales medium for its members and does not work for non-members. The actual wheat producers are members of the State associations and contract to deliver all their wheat for a period of 5 to 6 years. There is a liquidated damages clause and a pooling clause in the agreement.

The method of working can be described in this wise: the farmer delivers his wheat to a country elevator; receives a receipt and hands it over to the State association. Something like 75 per cent. of the market value of the wheat is then advanced to the grower, and further advances are made until all the wheat is sold and the pool is closed. Each State enterprise operates its own pool; it decides when grain should be sold and carries it until then. The pooling clauses include power to penalise inferior wheats by deductions where the associations suffer loss on account of the inferior grade, quality, or condition at delivery but deterioration in quality or reduction in grade after delivery are charged against the associations as a selling expense. The associations take power to mix wheats of like variety, quality, or grade and payments to growers are the average pool value, less deductions, such as costs of handling, storing, grading and marketing and association charges; the period of the pool is the season. Elevators are not owned or operated by either the State enterprises or the central, since there is apparently sufficient warehouse accommodation available without resort to the creation of a warehouse subsidiary. This is true also in the terminal markets where some space is leased by the central in order to make provision for cleaning, conditioning or storing grain. It must be kept in mind that there are nine State pooling systems and the central keeps these separate; the prevailing price differentials for each different grade in the pool are allowed for, and some associations are attempting to allow for quality, but

so far only the varying qualities of different areas of production are included in the plan and no account is taken of quality as between individual producers.

The central aims at controlling 65 per cent. of the crop

PLAN OF CO-OPERATIVE GRAIN MARKETING ORGANISATION.



FUNCTIONS OF GRAIN CO-OPERATIVE MARKETING ASSOCIATION:

1. CREDITS.
2. TRANSPORTATION.
3. FINANCE.
4. COMMUNICATION.
5. INTELLIGENCE.
6. HANDLING.
7. DOMESTIC DISTRIBUTION.
8. FOREIGN EXPORTS.

acreage in its states; its selling policy has been influenced by the conception of orderly marketing, which believes that it is necessarily a loss to dump large amounts of wheat on the market

just after harvest, and that the sales should be spread out over months, but it is clear that such a policy depends upon a correct anticipation of demand and supply, since this organisation holds a very small proportion of the wheat crop, and unless it outguesses the market, it will not gain.

K. Two further examples, dealing in eggs and cotton, may be outlined on a lesser scale to show the wide applicability of the forms of organisation which are being described.

**(a) The Poultry Producers of Central California,
San Francisco.**

The Poultry Producers of Central California, San Francisco—Characteristic Features—Produce Sale Agreement—The Pooling Arrangements.

This is a non-profit, co-operative enterprise without capital stock and belongs to the best known group of egg societies in the U.S.A. It is centralised in type, with its headquarters and some of its processing plants in San Francisco. Its directors are chosen from the producers in each of its district units; it owns packing plants, egg dryers, processing machines, washing machines and scales.

The fee for the membership certificate is \$10, and the produce sale agreement includes the following features.

1. A 3 years' agreement as to the delivery of all eggs produced or owned by the member, 1924-26, and an extension of this contract to the years 1927-29 at the option of the association, and again under certain circumstances to the years 1930-1933, but the member has an annual power of withdrawal at certain dates.

2. The association agrees to resell the eggs at the best obtainable prices and to pay over to the producer the average pool price received, less brokerage, cost of freight, supplies, packing, processing, handling, grading and storing, and less deductions for reserves, depreciation and the advance fund of the association; a sum not to exceed one cent per dozen for each dozen eggs marketed to cover overhead selling costs and expenses as well as subscription to the association's Journal.

3. The producer authorises the association to deduct from his weekly returns one cent for each dozen eggs marketed, to be credited to him and applied towards the creation of an advance fund. Advance fund certificates will bear 6 per cent. interest and be issued for sums of \$10 upwards.

4. Eggs delivered to the association become the absolute property of the association and are pooled by grade, quality, and locality. This last point is noteworthy as it involves district pools. The pool period is one week, the returns to the producer being proportionate to the quantity sent to that pool. All eggs remaining unsold at the close of any weekly pool are deemed to

be resold to the following week's pool at an inventory value determined by the association.

5. The association may, at its discretion, store and warehouse eggs to be held for the season of minimum production. Any

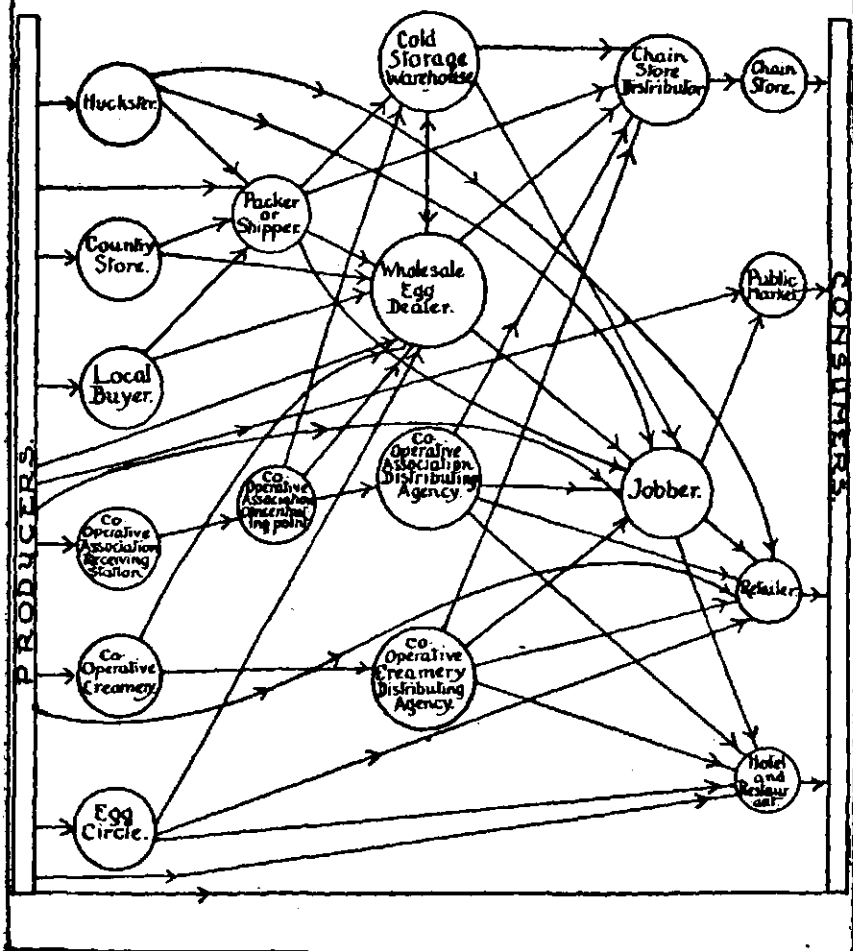
EGG MARKETING.

Country
Receivers

Primary
City
Receivers.

Secondary
City
Receivers.

Retail
Distributors.



eggs so stored are deemed, for pool purposes, to be sold at market value on the date of storage. Any gains of storage are returned to the pools from which the eggs were drawn and any losses,

unless charged to emergency funds, are chargeable against the producers involved; the same method holds as regards distant shipment.

6. The association is the sole judge of the standard, quality, and grade of the eggs; it lays down rules and provides inspectors to standardise the quality, method, and manner of handling, packing and shipping eggs.

There is a liquidated damages clause as well as power to secure specific performance of the contract on the part of a defaulting member, and to secure an injunction against further breach.

Some conception of the size and markets of this society may be obtained from the following figures:*

Membership—2,000.

Eggs handled 1924 1st 6 mths. 383,494 cases.
 " " 1923 " " " 376,650 "

Analysis of Markets for 1st Six Months of each Year.

	1921.	1922.	1923.	1924.
	Per cent.	Per cent.	Per cent.	Per cent.
San Francisco, Retail - - -	7.9	9.6	12.6	16.0
Oakland, Retail - - - - -	1.5	1.1	2.1	5.9
San Francisco, Wholesale -	11.2	11.8	7.4	5.7
Oakland, Wholesale - - -	4.4	4.1	3.2	5.6
Exchange Sales - - - - -	22.1	9.0	8.1	6.0
Wholesale and Retail Ship- ments - - - - -	0.9	14.6	8.2	14.2
Eastern Shipments - - - -	30.5	22.1	27.9	17.8
Storage and Storage Packed -	21.5	27.7	30.5	34.2
	100	100	100	100

It will be noted that this association is strengthening its position in the retail market and in storage.

The position with regard to pooling in this organisation involved a very carefully drawn up system of rapid accounting, for the period is only one week and there are 6 district pools with 2,000 invoices; in addition there are two general pools for eggs not identified with the districts; eggs may have to be carried forward or sold from one pool to another and price levels become an ingenious series of inter-related calculations.

The association regulates its voting power by giving each member at least one vote and one additional vote for each one thousand dozen eggs marketed during the preceding year. Business is done with members only.

* ("Nulaid News," August, 1924.)

(b) Texas Farm Bureau Cotton Association, Dallas, Texas.

Texas Farm Bureau Cotton Association, Dallas, Texas—Type of Organisation—Membership Contract.

The Texas Farm Bureau Cotton Association is one of the considerable group of non-profit organisations without capital stock which have grown up to market cotton since 1920. The framework is that of a centralised marketing association with a warehousing subsidiary set up along side of it. Working on a five years membership contract, it shows so far the following results in turnover of cotton :

Season.	Bales.
1921	92,737
1922	77,706
1923	182,327
1924	287,000 (Estimate).

This contract expires with the 1925 season for all members and a new campaign and sign up will be necessary. Members only benefit by the marketing services and numbered 20,000. The membership contract states that the aim of the association is to minimise speculation and waste, and to stabilise cotton markets in the interests of the grower and the public. The member has to deliver his crop, at the earliest possible moment after growing, to a warehouse controlled by the association and there it will be inspected, graded, and classified, and also pressed and shipped. The enterprise will pool or mingle cotton of a like variety, grade and staple; the length of time of each pool will be the season and in 1923 there were 54 pools. The association is to attempt orderly marketing by endeavouring to sell cotton gradually, as the spinning industry desires it. After due investigation the association set up a warehousing subsidiary to lease, purchase, construct, and operate warehouses; this is financed by means of ordinary and preferred shares. The ordinary shares are sold to members only and no member may buy more than \$100 worth of such stock. The preferred stock bears 8 per cent. interest and may be sold to outsiders. The cross-contract between the association and the subsidiary provides that the subsidiary shall handle, process, treat, store, ship, and deliver the cotton, charging the actual costs of such operations and an amount sufficient to pay 8 per cent. on the outstanding common stock as well as the dividends on the preferred stock and to retire in each of the five calendar years one-fifth of the preferred stock.

The costs of the association are met (1) by the membership fee of \$10 and (2) by deductions from the growers' returns. Advances up to 50 and 60 per cent. of the estimated value of the crop are made to producers soon after delivery. There are the usual liquidated damages clauses; injunction and specific performance powers are also taken.

The directors number 23, and 20 of these represent districts; every member has one vote only in the affairs of the association.

Summary.

Principal Features of Large-scale Co-operative Organisation—Membership Contract—Periods of Contract and Penalty Clauses—Centralised Associations—Federal Organisations—Control of Quality—Pooling by Class, Grade, and sometimes by Locality—Status of Locals—Control of Movement to Market—Price Policy towards Members—Selling and Sales Policy—Ownership of the Product and Agency—Non-members' Business—Single-Product Organisations—Stock and Non-Stock Corporations—Methods of Marketing Finance.

The foregoing examples represent all the principal features of large scale co-operative organisation in the U.S.A. and the main issues may now be drawn together for examination.

1. All associations, except the livestock organisations, use the *membership contract*; centralised types employ one contract and federal forms two, one binding members and locals, and one binding locals and central. There are certain cases where the locals and the central are bound together, although the individual members are not bound to the locals.

2. The *period of the contract* varies from one year up to five or more and may be self-renewing. Clauses dealing with liquidated damages and penalties are general.

3. *Centralised associations* and the milk producers' organisations lay great emphasis upon the control of a large proportion of the supply, for without this they feel handicapped in collective bargaining and in regulating the flow of their product to market; while the federal organisations do not consider this so vital to their success, provided always they have that volume of business which is conducive to economical operation of business.

4. *Control of quality* of the product through grading and classing is general, although the degree in which absolute uniformity is attained, varies. Central types tend to rigid control on this point but federal associations often leave considerable freedom to localities.

5. *Pooling by class, grade, and sometimes by locality*, is quite general. A number of difficult issues arise with regard to the number of pools, the area which they should serve, and the period over which they should stretch, as well as the way in which overhead expenses should be spread among the number of pools.

6. *The status of locals* varies considerably. Centralised organisations usually have talking or advisory locals only, whereas federal types have usually reserved some measure of executive control for the local.

7. *Control of movement to market*.—All forms of association try to feed the market, although the policy is much more consciously followed by some than by others. All enterprises work out plans whereby they may direct their products to the right market at the right time.

8. *Price policy towards members* is fairly uniform, namely, the payment to producers (1) of an advance equal to a certain per-

centage of the estimated future price, (2) payment of instalments less deductions until the total is paid away.

✓ 9. *Selling and sales policy.*—Collective bargaining as to prices is a characteristic feature of such enterprises as the Sun-Maid Raisin Growers, but some organisations simply sell their products into the ordinary channels of trade for the best prices that can be obtained.

✓ 10. *The ownership of the product.*—Some associations act as agents for producers, others take title to the commodity on the ground that it eases the getting of credit and is a strong guarantee that the association can actually deliver to buyers at the prices agreed upon.

11. *Non-Members.*—The tendency is to handle business for members only, but some local units such as those in Minnesota deal with whatever non-members' business comes to them.

12. *Single product organisations.*—It appears that the large co-operatives are practically all single commodity organisations.

13. *Stock and non-stock corporations.*—There is wide variation between (1) capital stock associations, (2) non-stock organisations with membership fees and capital-stock subsidiaries, (3) non-profit organisations which have created capital funds by means of the revolving fund plan which makes deductions from prices paid to their own members and grants certificates of indebtedness at a rate of interest in return.

14. *Methods of marketing finance.*—There are certain recognised ways of obtaining the funds necessary to bridge over the period between payment of a first instalment or advance to the producer and the time when the commodity is converted into money, which are features of the large co-operatives.

CHAPTER IV.—THE MEMBERSHIP CONTRACT AND THE MEMBERSHIP SERVICE.

Aims and Objects of Contractual Relationship—Economic and Psychological Reasons—The Type and Form of Contract—Length of the Contract Period—Form of the Contract as regards Business Relationships—Grading and Pooling Provisions—Methods of Payment, Sales, and Power to Deliver to Subsidiary Corporations—Legal Aspects with Special Reference to the Penalty Clauses—Liquidated Damages—Specific Performance—Injunction—The Membership Service.

Producers' contracts are general among the large scale co-operative undertakings in the U.S.A., and it is not too much to say that no attempt would now be made to float either a centralised or federal form of organisation without the use of such contracts. The membership contract is the instrument that legally binds the membership and the association. It is a means to an end, namely, the efficient rendering of the maximum of marketing services at minimum cost to the co-operative producers.

The purposes of such contractual relationship are well-grounded in co-operative experience; they are psychological and economic. In the first place, contracts ensure that volume of business which allows an association to build up its organisation and to meet its business problems with foresight; such services as assembling, grading, processing, packing and distributing cannot be properly rendered at random, but require careful preparation. Agreements of this kind strengthen the position of an enterprise requiring credit; they furnish a basis for collective bargaining and for controlling the way in which the output moves into the markets. In the second place, the agreement has a great psychological effect. It restrains competitors from attempting to disrupt the organisation; it strengthens the sense of loyalty of the members and it adds to the prestige of the association in its initial stages when it is faced with its chief difficulties.

It is frequently said that it is impossible to enforce loyalty by binding contracts but this seems to rest upon a misunderstanding of the position. The situation which may arise is not that of a disloyal majority, that would be a contradiction in terms, but the control of a fickle and indifferent minority who may undermine the morale of the association. In times of strain and depression there may arise temporary waves of disloyalty upon which the contract acts as a reasonable constraint. It is, of course, obvious that no legal contract can keep up a co-operative spirit when a majority of the members believe they have been deceived as to results but the real issue is not then one of the legal strength of contracts but of the business soundness of the association.

It seems a mark of good business judgment when an implied voluntary agreement is translated into a definite legal instrument and the two essentials for smooth working appear to be a serviceable association and a well informed and educated membership.

No body of producers is likely to continue a permanent, contractual relationship unless they are convinced that they are receiving satisfactory service; the danger which sometimes threatens is that propagandist and promotional methods may so excite the expectations of producers and so cloud their business judgment as to make the building up of permanent enterprises more uncertain. There is little doubt that the main value of contracts lies in the initial stages of the undertakings up to the fifth or sixth years; as associations grow older the tendency is to increase the periods when members may withdraw and the value of the agreement becomes more indirect, since the relationship between members and their association has become one founded upon experience of service much stronger than any contract.

An important issue is how far the members have an adequate understanding and appreciation of their marketing enterprise, since this will ultimately define their attitude to the contract. It is obvious from the experience of the U.S.A. that co-operative relationship must be made educational and businesslike as well as legal; it must also be recognised from the producer's point of view that to cut himself off from the intermediary system and trust the main produce of his farm and the means of his livelihood to perhaps an incompetent management is a great strain on loyalty even though the power to change such management lies with his fellow members and himself.

A.—The Type and Form of Contract.

Turning to the contract itself, the chief features are:—

1. The Parties to the Contract and the Title to the Product.
2. The Length of the Contract Period.
3. The Form of the Contract dealing with business relationships such as Pooling, Grading and so on.
4. The Legal Aspects, in particular, breach of contract and liquidated damages.

Parties to the Contract.

The two chief cases are (a) where the contract is between producer and central association, and (b) where there is a contract between the producer and the local, and a further contract between the local and the central. It is the opinion of many that a direct contract between producer and central is the clearer and more decisive method of regulation since locals are inclined to be easy going in their enforcement of contracts just as they are inclined to be slack in the regulation of quality.

Title to the Product.—The contract may provide for the transfer of the title to the produce to the association or alternatively that the association act as agent for the producer in the sale of the product. The tendency is for decentralised associations to become owners especially in the case of non-perishables; but, with perishables, agency seems to predominate. There seems

some doubt as to the exact legal interpretations of agency and owner contracts but the economic aspect is the supposed advantage of owner over agency with bankers, finance corporations, and similar bodies who lend money on warehouse receipts; from a business standpoint there is no difference in control over the commodity between the two forms. Another aspect of the matter is that an owner's title contract was believed to be safer from attack for "restraint of trade" than an agency agreement. In both cases the remedies for breach of contract are the same.

Two agreements may be quoted to illustrate this point, an agency contract and an owner's title contract (The California Almond Growers' Exchange).

"The member hereby appoints the Exchange the *sole and exclusive agent* of the member and also as the attorney in fact of the member, for the said purposes . . . with full power and authority in its own name, in the name of the member, or otherwise to transact such business and take such action . . . including power to pool the said almonds"

The exchange on its part agrees to prepare for market, market and sell the almonds as agent of the member and rateably to divide the proceeds of the sale of the almonds of like variety and grade pooled"

(California Prune and Apricot Growers Association).—"The association agrees to buy and the grower agrees to sell and deliver to the association all of the prunes and apricots and apricot pits produced or acquired by or for him in California during the years 1922-1925"

The association agrees to resell such prunes and apricots together with prunes and apricots of like quality, grade and classification"

As all the contracts must be based upon mutual consideration, it is usual to set this forth in general terms without any reference to money payments other than a general explanation of how and when the association is to pay the producer. The draft form of marketing contract drawn up by U.S.D.A.* runs as follows:—

"That for and in consideration of the expenses to be incurred by the association in providing means and facilities for handling, storing and marketing (fruit or cotton or wool, etc.) including the expense of locating, organising, and establishing markets, and in further consideration of the mutual obligations and promises of the respective parties hereto, it is hereby agreed as follows" The terms of the contract are then detailed.

Some organisations still regard it as sufficient to have certain stipulations in the by-laws, as regards marketing produce through the association, and require the members to sign these by-laws but the general tendency is to make the marketing agreement a separate compact and to call upon the member individually to

* See Bull. 1106, p. 71.

sign it. It is held that members are more likely to appreciate the true significance and value of the contract if it is signed in this form. Sometimes there is both a membership agreement and a produce marketing contract both of which may require signature but the more usual way at present is to draw up a combination document; an illustration of this latter type is the membership agreement of the California Prune and Apricot Growers Association quoted in Appendix 2 to this Report.

Length of the Contract Period.

The duration of contracts varies greatly as well as the methods of withdrawal and renewal. A long period of contract of 14 years may not be harsh on a producer if he can withdraw every two years, while a seven year contract with annual power of withdrawal represents a very different situation to the same contract without such privilege. At present the two most prevalent types of contract are :—

(1) The 4-6 year binding contract with no intermediate power of withdrawal; this has been the form widely used in launching new associations, since it gave them time to organise, to overcome internal friction, and to construct new plans. Such a type of contract is not without drawbacks; the association must show whether its service is worth while to the grower within the period, and, further it means a big stir-up and sign-up campaign at the end of the period since all contracts expire at once. This would mean that after five years, the association would expire and all its organisation would go into the melting pot of doubt and uncertainty.

(2) The one year self-renewing contract which allows a member to give notice of withdrawal at certain periods and accepts new members each year; this is the period of eight of the eleven largest Danish co-operative associations.

The tendency to give the member power of withdrawal at intervals, is however very pronounced and it seems as though the final result will be a plan to cover the first few years of the life of an association, its establishment period, by an ironclad, watertight agreement, but to allow later stages of growth or decay to be met by annual self-renewing contracts.

The economic factors which affect the length of the contract may be detailed. The main idea is that the agreement shall run a sufficient length of time to allow the association to show its worth.* Whether this be one year or five years would depend :

(i) Upon the extent of the selling organisation which has to be set up to render marketing service; with some commodities it may take years to build up the structure and connection; there may be advertisement campaigns to conduct, trade-brands to create and standardise, as well as considerable efforts put forward

* See "Report on Co-operative Marketing of Agricultural Produce in England and Wales," p. 167. Economic Series No. 1. Ministry of Agriculture and Fisheries.

to raise the standard of the members' produce. It is clear that an association like the Californian fruit organisations might do badly for a few years and then become established and successful. (ii) Upon the amount of capital and financing which is required. If it is only a question of carrying a season's crop to market, one year might be enough, but if it becomes a matter of warehousing, storing, setting up highly specialised processing plants and equipment to deal with by-products, and so on, a longer period will usually be deemed essential in the business interests of the undertaking. (iii) Some account must be taken of the general trend of prices since an organisation selling on a falling market will be subjected to greater strain and criticism and will take longer to establish itself than a similar enterprise at periods of rising levels of prices. This point is of great importance for undertakings which contemplate seasonal carry overs or which store in a season of plenty to meet the demand of a season of scarcity. On the other hand the producer's point of view must be kept in view as has already been stated; it is essential that the impression should not be created that the binding agreement is a cloak for an incomplete management or that the farmers are being exploited by marketing specialists and that a short period autocracy is being created. Many organisations which give power to their members to withdraw at frequent intervals, hold the view that they gain by eliminating cantankerous and quarrelsome farmers.

Form of the Contract as regards Business Relationships.

Contracts commonly include definite statements with regard to (a) delivery of the product, (b) quality and grading, (c) pooling arrangements, (d) methods of payment and sale, (e) special deductions, if any, from net prices, (f) trade with members only.

These may be briefly surveyed to exhibit their characteristic features. It should be clearly noted that marketing agreements never include directions as to the number of acres to be planted or the numbers of cows to be kept; they never directly act as devices for the control and regulation of the amount of production as do large scale organisations in industry and commerce; such clauses if drawn out, would be difficult to work and would in the U.S.A. be of questionable legal standing. Nevertheless, this omission has obvious reactions upon market price policy, since if any organisation had pursued a policy which inflated its price level out of proportion to the general level, the profitableness of its product would be an object of attention to producers who would proceed to increase supply; this has actually happened in a number of cases.

Delivery clauses deal with such subjects as the farmer's control over his crops or output, the times and places of delivery, the amount, if any, of his produce which the producer may retain for his own use. One or two examples may serve to illustrate

these matters. The California Prune and Apricot Growers have the following clauses:—

Clause 3.—“The grower expressly warrants that he is now in a position to control the said crops and would be able to deliver according to this agreement; and that he has not heretofore contracted to sell, market, or deliver any of his said prunes or apricots to any person, firm, or corporation. If he has so contracted, he shall so state at the end of this agreement; and any crops covered by any such existing written agreement shall be excluded from the terms hereof to the extent and for the time here indicated.”

Clause 14.—“If the grower places or permits to be placed, a crop mortgage upon any of his crops during the term hereof, the association shall have the right to take delivery of his fruit and to pay off all or part of the crop mortgage” “The grower shall notify the association prior to making any crop mortgage”

The interest of these two clauses lies chiefly in the difficulties which co-operatives have had in regard to delivery of mortgaged crops since there have been occasions when liens have been used to prevent crops going through co-operative channels. The latest development in this direction is a new Crop Lien Law of the State of Maine (April 1925) which prevents lien holders from interfering with the delivery of crops of co-operative marketing association members and protects their interest by requiring adequate registration of their claims.

A closely associated clause deals with the transfer of orchards and farms during the terms of the agreement, the underlying notion being that if the transfer is in the family, the contract holds but if to outsiders it may be broken at stated times. Some associations, however, have clauses in their marketing agreements which make delivery run with the land whoever the purchaser may be but it is doubtful how far this would hold if the purchaser had objected to this condition, and it would not hold if the purchaser was unaware of the position.

A further delivery clause which usually appears is that which regulates the retention of some of his output by the farmer; in the case of a milk association this runs that the producer must deliver everything “except such part thereof as may be required by the said producer for his home or farm use or for retail by himself” (Twin City Milk Producers' Agreement). Again with the California Prune and Apricot Association, Clause 10 states “that the grower shall have the right to retain and to sell all or part of his fruit green for green use or canning only; and only to persons, firms, or corporations which then have written contracts with the association, provided that the said purchasers shall handle the products for green or canning use only”

Next come clauses actually determining place and time and conditions of delivery. With seasonal crops, there may be a last

date fixed beyond which delivery is penalised. Clause 4 of the Prune and Apricot Growers reads "all prunes and apricots shall be delivered at the earliest reasonable time when ready; and in any event, prior to September 15th for apricots and November 10th for prunes in each year, as and where directed by the association." Usually there are stipulations that the growers pay transport charges to the nearest association plant and that deductions will be made if the produce is not on delivery in a good marketable condition.

Grading and Pooling Provisions.—An association usually takes complete powers to control grading, pooling and handling processes and this is often set forth with some elaboration in the agreements. One or two illustrations will bring into prominence the kind of regulation employed.

The California Prune and Apricot Association lays down that its decision shall be conclusive as to grade, standard, classification and differentials in price, that it can pool and mingle all supplies of a like quality; the grower is called upon to observe and perform any such rules and to accept such grades and standards as the association may establish: the association may classify by size, grade, variety, or any other commercial standard.

The Poultry Producers of Central California states that the eggs delivered become the absolute property of the association and that it will pool them by districts and shall be the sole judge of the standard, quality and grade of the eggs, and shall adopt such methods of standardisation as will be the most advantageous in general. It makes rules and regulations and provides inspectors to standardise the quality, method and manner of handling, packing, and shipping eggs, the producer being called upon to observe and conform to these standards.

The rules in the case of milk societies are commonly brief; the New York Dairymens League refers to such tests and quality, delivered at such hours and produced under such sanitary and hygienic regulations of the association and the Board of Health, the City, and the laws of the State where the milk is produced and is to be finally marketed.

Methods of Payments, Sales and Power to deliver to Subsidiary Corporations.—In general there are elaborate clauses to explain how payment is to be made to the producer and to make clear the freedom of the association in its sales department. The chief features are that the associations do not buy from their members at market price, but repay to the producer the amount obtained by sale in the form of advances and instalments until the total proceeds are dispersed; this policy, which shifts the marketing risks from the association to the farmer, is quite general with large-scale undertakings, and is a means of preserving the stability of the undertaking where the market for the commodity is a matter of forecast, and where the speculative risk is real and inevitable. The sales clauses usually lay down that the association may sell or use the produce in the way believed to be the most

fair to the producer; this involves power to go direct to consumers, to manufacture surplus, to store, to make by-products, and to render all services broadly defined as marketing.

The clauses which deal with these questions in the case of the Prune and Apricot Growers include certain general phrases which are widely used; viz., that the fruit is to be sold at the best prices obtainable by it under market conditions, that the association agrees to pay as substantial an advance as the market and financial conditions will permit, as soon as practicable after the delivery of the fruit; such advance payments to be proportionate to grade. The remaining payments to be made by instalments, less all deductions, and a last payment after the pool accounts are closed.

The same organisation has a sales clause which states that it may sell to consumers, retailers, wholesalers, or otherwise, to any agency in the U.S.A. or abroad. Again, the Texas Farm Bureau Cotton Association includes in its agreement power to sell cotton within or without the State, direct to spinners or exporters, or otherwise, at such time and upon such conditions as may be deemed profitable, fair and advantageous to growers.

Other general provisions are that the association shall deal with its members only and that it may borrow upon the security of the commodity delivered to it. Where arrangements are made to obtain capital from the members by continuous deductions from price, the plan is definitely outlined in the agreement.

Legal Aspects with Special Reference to the Penalty Clauses.

The remedies provided for breach of contract are mainly three:—(1) Liquidated Damages, (2) Injunction and (3) Specific Performance.

These may be examined in turn; it is not, however, the purpose of this description to survey legal interpretations of the provisions in producer's contract but simply to point out their bearing upon economic organisation. It is sufficient to say here that, with very few exceptions, producers' contracts have been held to be valid contracts, while the use of the remedies mentioned has been generally allowed, although there has been a feeling that the liquidated damages claimed by the associations were sometimes much too high.

Liquidated Damages.—Liquidated damages are damages the amount of which has been determined in advance by agreement between the parties.* The amount of compensation agreed upon must be reasonable and not out of proportion to the damages involved, otherwise the courts may regard it as a penalty and disallow it. The great majority of contracts include the liquidated damages clause and specify the amount involved. In the case of milk associations, it may be stated as \$5 to \$10 per cow, or 5 cents per gallon of milk or as 25 per cent. of value; for fruit it may be assessed at so much per box or so much per ton; for

* See U.S.D.A. Bull. 1106.

cotton from 5 to 10 cents per lb.; for wool at so much per lb. of wool, or so much per sheep; for eggs at 5 to 7 cents per dozen, and so on.

This matter may be illustrated by quoting the relevant clauses of the Prune and Apricot Association's agreement.

Clause 16 (a).—Inasmuch as the remedy at law would be inadequate, and inasmuch as it is now and ever will be impracticable and extremely difficult to determine the actual damage resulting to the association should the grower fail so to sell and deliver all of his prunes and apricots and pits, the grower hereby agrees to pay to the association for all prunes and apricots and pits withheld, delivered, sold, consigned or marketed by or for him, other than in accordance with the terms hereof, the sum of 2 cents per pound of prunes, and particularly the sum of 4 cents per pound of prunes running larger than 30 to the pound, and the sum of 4 cents per pound of apricots and $\frac{1}{2}$ cent per pound of apricot pits, as liquidated damages for the breach of this contract, all parties agreeing that this contract is one of a series dependent for its true value upon the adherence of each and all of the growers to each and all of the said contracts.

(b) The grower agrees that in the event of a breach or threatened breach by him of any provision regarding delivery of prunes, or apricots, or pits, the association shall be entitled to an injunction to prevent breach or further breach thereof and to a decree for specific performance; and the parties agree that this is a contract for the purchase and sale of personal property under special circumstances and conditions; and that the buyer cannot go to the open markets and buy prunes and apricots or pits to replace any which the grower may fail to deliver.

It may be noted that the contract refers to the difficulty of determining such damages, since they are both economic and psychological. There is the immediate business damage to the operating efficiency of the organisation and the injury to the morale of the association; it is clear that in the first case the damage caused to economic working would, if construed narrowly, not be great when one small grower broke his contract with a very large organisation, and some broader conception of damages is required to justify the rates embodied in the contracts.

Injunction and Specific Performance.—The object of the injunction is to prevent producers under contract from selling their produce to outside buyers; it is thus closely related to specific performance since it limits the channels by which a member may market to that of the co-operative association. Specific performance consists in compelling the producer to do what he should have done voluntarily according to the terms of his contract. It should be noted that there are two aspects of an injunction, (1) it prevents the members from selling else-

where, and (2) it prevents outside parties from interfering with the activities of the association. In this latter case the injunction is valuable as a weapon in meeting well-organised outside attempts to break up an association. A very considerable proportion of the contracts, which include the liquidated damages clause, also include one dealing with injunction and specific performance, and there appears to have been no legal difficulty in normal cases in obtaining these remedies except in California.

B.—The Membership Service.

While giving full recognition to the necessity and value of contractual obligations between members and the association, most organisations have found it worth their while to create special departments dealing with membership relations. These are mainly found under two titles, (1) membership service, and (2) field service.

Membership service, or growers' service as it is sometimes called, covers (a) soliciting of new members; non-association producers are called upon and made acquainted with the facilities and services offered by the association; contract signing is dealt with and lapsed members are traced; (b) all questions upon which the members may desire to lodge complaints or upon which they may desire enlightenment.

All associations, whether federal or centralised, appear to attach very great importance to being accessible to their members when trouble arises; one of them states: "it is absolutely necessary that where misunderstandings arise, the central office be represented on the ground at once." The danger, particularly for highly centralised types of association, is that the members at a distance from the headquarters may begin to look upon their organisation as an automatic machine for selling their produce, may lose their sense of loyalty to it on account of petty grievances, and a spirit may be generated which leads them to turn upon their own organisation at its time of adversity. This has been expressed as follows:—"In the type of association called centralised, the growers are, to some extent at least, merely interested spectators. They are taking no part in the game, hooting, cheering, but not actually participating beyond the point of turning over the product." One of the strong points in favour of locals is that they give adequate representation of an association in every locality and provide a vital contact between central bodies and their members. A membership service will, therefore, take up the organisation of local units where necessary for the health of the group. This department may construct and keep the up-to-date maps and statistical information necessary for the association, as to acreage, varieties, productiveness, and equipment on the orchards or farms. It performs in some cases educational functions and publishes members' bulletins.

Closely associated with the membership service department is the field department, which usually represents the farming policy

of the marketing association and, therefore, is of very direct interest to the producers. Its work may cover (1) attempts to improve cultural methods; (2) the testing of new varieties of fruit and vegetables; (3) the investigation and the device of practicable means of controlling pests and diseases; (4) the carrying out of plot experiments to measure the effects of irrigation or the worth of new varieties; (5) instruction in methods of picking and handling fruit to the best advantage.

The work of grading and standardising production, although commonly separate from field work, is closely related to it, since one of the most notable reactions of co-operative marketing associations upon producers is the tendency to raise quality; in this matter many enterprises employ inspectors to maintain at all local packing stations the necessary standard of quality for each grade and variety. This is difficult work, as it involves testing deliveries to ensure that a square deal is to be given both to the packer and to the buyer; again, a special study may be made of productive conditions in the association's territory in order to connect special areas with special qualities in delivery.

A further feature of the field work of some undertakings is the careful system of crop reporting which they build up among their own members, thereby enabling them to forecast supply with a considerable degree of assurance.

CHAPTER V.—ORGANIZATION AND MANAGEMENT PROBLEMS (POOLING AND ORDERLY MARKETING).

There are certain problems of organization and management which confront all large-scale enterprises working on a co-operative basis; among these are (1) pooling, with the allied questions of control of quality and methods of paying the producer, and (2) movement of the commodity to market, selling organization and sales distribution, commonly known in the U.S.A. as the problem of orderly marketing.

A.—Pooling.

Pooling—Grading and Control of Quality—Grading Rules—Pooling and Price Payments to Producers—Value of the Pool to the Farmer—Contrast between Cash Payments and the Method of Advances and Deferred Settlements—The Case for the Pool—Feeding the Market—The Pooling Periods for Different Commodities—The Pooling Area—Local Pool—Crop Pool—State Pool—The Pooling Expenses.

The term pool is used in a variety of ways, but in this analysis it is employed to denote the arrangements outlined in the marketing contracts of the associations, where it is usually provided that the association may pool or mingle all products of equal grade, and so on; it means that products of similar grade and quality belonging to different producers are mingled together and sold during definite periods, so that the price received by the grower is based upon the average price received during the period.

Pooling systems may be described in relation to (a) grading and control of quality, (b) price payments to producers and financial policy, (c) feeding the market, (d) the period of the time over which the pool extends, (e) area of the pool, and (f) expenses of the system.

Grading and Control of Quality.—Recognition of quality varies greatly according to the system adopted.

1. All the produce delivered may be put into one pool regardless of quality and sold at one price. This is rarely done and is generally condemned as unfair; creameries, for example, which do not grade their cream are doing obvious injustice to their better members. The tendency is to make all pools grade-pools with price differentials for quality, since otherwise actual discouragement is offered to high-class producers; the same argument holds where a central organisation attempts to mingle the produce of different locals without due reference to differences in class and type.

2. Graders may classify the commodity as it comes to the assembling plant, then put it into one pool, dividing up the proceeds between the producers on the basis of the grade records or upon some arbitrary basis. Examples of this type may be found in milk societies.

3. The produce may be actually kept in different lots according to grade, sold in separate grade lots, the actual proceeds of each grade pool being divided between the growers in that pool. A variation upon this system is where the grade pools are operated by localities as in the case of the California Fruit Growers Exchange, and a further modification is where two or more grades are put into each pool and sold as one grade pool, the proceeds being divided up among the growers according to the grower's and not according to the sales classification.

The commodity may be graded at the locals or at the central warehouses and packing plants. The degree in which the grading follows genuine distinctions of quality varies with different commodities; in the case of cotton and tobacco, numerous distinctions of type and grade may be recognised so that it is no unusual thing to have 50 or 60 grade pools and the theoretical classification may actually enumerate as many as 200 distinctions,* but naturally there are certain base grades and quality premiums are calculated by adding or subtracting from the price level for these classes. Grading in the case of eggs is carried to the extent of differentiating into six or seven classes; the following are the grading rules of the Poultry Producers of Central California.

GRADING RULES.

All grades of eggs should be fresh, white, clean, sound, sweet and full, reasonably uniform in size and shape, and must not be washed or otherwise cleaned before delivery to the association.

Extras.—Extra eggs must weigh over 22 oz. per dozen and average not less than 24 oz. per dozen.

Pullets.—Pullet eggs are those weighing 22 oz. or under per dozen, but must not include any eggs weighing less than 19 oz. per dozen.

Undersized Pullets.—Undersized pullet eggs are those weighing less than 19 oz. per dozen, but must not include any eggs weighing less than 15 oz. per dozen.

Browns.—Brown eggs (and this means all eggs that are not entirely white) are graded according to size the same as eggs with white shells.

Firsts.—Eggs of this grade include irregular shapes, rough, soft or thin shells and those showing excessive evaporation. Weight per dozen the same as Extras.

Dirtyes.—Dirty eggs are graded according to size as Dirty Extras, Dirty Pullets or Dirty Undersized eggs.

They are also classified as Light Dirtyes or Heavy Dirtyes depending upon the amount of dirt on them. Light Dirty eggs can be easily cleaned, and if they have been kept dry, can be processed and stored during the packing season.

* See Reports, Texas Farm Bureau Cotton Association.

Heavy Dirties will not keep in storage, consequently they are cleaned by the association (in so far as it may be profitable to do so) and then sold for immediate use.

Chex and Bakers.—Checked and Baker eggs are those with cracked and broken shells.

Baker eggs include all grades that do not conform to the quality and other requirements of the standard grades classified above.

A further illustration of the same kind of grading is found in the invoices of the Owatonna Co-operative Poultry Producers Association, Minnesota, where eggs are classified as (1) Extras, (2) Extra Firsts, (3) Firsts, (4) Seconds, (5) Dirties, (6) Chex, (7) Rots or Rejects.

Fruit and vegetable associations commonly sort their products and grade them on certain standards such as size, colour, blemishes, and so on; reference has been made to the system of the California Fruit Growers Exchange where local grading and central trade brands exist side by side; broadly speaking, the Sunkist brand includes Fancy and Extra Choice brands with a tolerance of 10 per cent., Red Ball covers Choice grades with a tolerance of 5 per cent. and Standard covers the lower grades, while the oranges are commonly graded by the number to a standard packing box; 126, 150, 176, 200 and 216 being basic numbers.

Milk selling organisations employ pooling not so much as a method of remunerating their members according to quality, since that could be done by testing whether the identity of the milk of individual farmers is lost or not, but rather to adjust the price paid for milk which is partly sold as fluid and partly as milk products.

The number of grade pools is of course not merely a question of distinctions of quality but depends upon the number of classes the market will recognise, and the number of brands which it is found good business to advertise. Paying producers for quality is not, therefore, entirely the same thing as selling by grade and occasionally finer distinctions of quality in produce may require to be paid for than are recognised in actual grade pools. It has proved very difficult, for example, to create a workable pooling scheme for potatoes, and the problem of grade pools for wheat has presented difficulties owing to the large numbers of qualities which may go to determine grades, such as weight, colour, moisture, dockage, gluten content; on the other hand grading and inspection have been developed to such an extent with wheat that mingling and recognition of difference in quality have been feasible on a large scale.

It is obvious that this clearly marked tendency towards grades, standards and recognition of quality has forced marketing organisations to consider methods of production as well as harvesting, assembling, sorting, packing and despatch. The decisions to be made are (1) what varieties and types of produce are the association to encourage and standardise; (2) how to get

the members and locals to follow the course which is decided upon.

The first is commonly achieved by conferences of central and locals, and it is necessary to bear in mind that grading and control of quality depend on the one hand upon an intensive knowledge of market conditions and on the other upon an understanding of local conditions of production; it has been found a mistake to override local preferences altogether for the sake of some clean-cut scheme of standardisation; it is better at first to create standards which recognise local preferences since the full support of producers is necessary for ultimate success. Another point is that the process of enlisting the co-operation of producers and converting the recalcitrant varies in its difficulty with the commodities; in some cases where the product can be sorted as for example, with prunes, eggs or apples, a strict control of warehousing operations may achieve considerable results, and if the central enforces its grade specifications upon its members and shows them the advantages of widely recognised standards and brands, widespread support may be found for its pooling. In general, however, farmers have to be the subject of a long-period educational programme directed by their own association; this is in part the work of the field men already alluded to in this survey. Local managers and warehousemen need training to perform their task properly, since with articles such as wheat, cotton and potatoes, quality standards cannot really be firmly established without effective support from producers. Locals form, therefore, a very important contact between the farmers and the central selling agency for the thrashing out of the frictional disturbances created where producers are called upon to improve their grade of output.

So far voluntary grading and standardisation have been alluded to, but it is necessary to notice two tendencies which have recently asserted themselves in the U.S.A., and which may have far-reaching consequences upon marketing associations; (1) there is the steady work of the Federal Department of Agriculture in the establishment of suitable standards for leading commodities and the provision of a disinterested inspection service at terminal markets; (2) the legislation of many States which provides for public authority being employed in the determination of the grading to be employed by producers.

By 1924 the work of the Federal Department had progressed to such an extent that there were recognised national grades for more than 30 commodities such as wheat, cotton, eggs, fruits, vegetables and so on. "The use of the grades is not compulsory, but they have so met the conditions of production, the needs of the trade, and the demands of the consumer, that they have come into very rapid and general use."*

The Report points out that the pressure of falling prices has compelled farmers to cater for the demand and requirements of

* See Report of the Secretary of Agriculture, U.S.A., 1924, p. 34.

the market as never before and to discriminate closely between grades which could be marketed at a profit and those which could not. It states that many States have given official sanction and some the force of law to such specifications. With the progress of standardisation the need for an impartial inspection service was felt and Congress in the spring of 1922 enlarged the scope of previous efforts in this direction. It authorised the Department of Agriculture "to begin a system of inspection for grade and quality of fruits and vegetables which should be available at the shipping points as well as in the markets, provided only that the volume of business be such that the fees voluntarily paid therefor should approximate to the cost of the service."* This allowed of a practical application of a standardisation plan and the demand for this service is stated to have exceeded the resources of the Department. The record for 1924 is that "tens of thousands of carloads of fruits and vegetables conforming to specific grades are now sold f.o.b. loading point to distant buyers at an agreed price, under Government inspection, and with a copy of the certificate mailed with the bill of lading when desired. Seventy-three thousand cars were thus inspected during the fiscal year, 1923, and 128,000 in 1924."*

The economic significance of this movement is that it will extend standards to the trade of middlemen as well as to the produce of the co-operative associations which have pioneered it. It is part of a sustained effort to sell farm produce at shipping points and, therefore, to reduce the volume of consigned goods upon which returns have been disappointing, difficult to check, and subject, it is believed, to unfair rejection by buyers on arrival. The tendency on the part of the Federal Government will be to make such standards, once they receive widespread recognition, compulsory in inter-State commerce as has already happened with grain and cotton, and this will bring the States into line on a system of unified grading.

Many States have now legislation dealing with standards and one illustration will suffice to show the influence of such a public policy upon co-operative marketing associations. The North Western Apple Marketing Organisations† in Washington State come under the State law regulating uniformity of pack and grade in all districts. The procedure is that the Commissioners of Agriculture hold a hearing of all interested parties, known as the State Grade and Pack Conference; voting strength is based on the number of carloads reported; the conference works out the exact standard governing each grade, there being at present three principal grades; fancy, extra fancy, and C grade; besides grading on colour, there is packing by size. The complement of these arrangements is the inspection service; such co-operatives as the Wenatchee District Co-operative Association and the Wenatchee-Okanogan Co-operative Federation provide inspection

* See Report of the Secretary of Agriculture, U.S.A., 1924, pp. 34 and 35.

† cf. Maynard, H. H., marketing of North Western apples.

services of their own and issue certificates of inspection for each car, but the State Department of Horticulture in co-operation with the Federal Bureau of Markets maintains a service at all shipping points. This examination together with the receiving point inspection protects the grower against unfair claims for damages.

Pooling and Price Payments to Producers.

The two questions which arise in connection with price payments to producers are the value of the pool as a factor in averaging selling prices and the relative advantages of selling for cash as against the system of instalments and deferred payments.

The pooling of products eliminates chance unevenness in prices due to short period market fluctuations since, by equalising returns for equal quality, it aims at putting the farmer upon his merits as a producer. It has been pointed out that if each farmer markets individually on his judgment of market conditions, "it pays to farm about two-thirds of the time, and to devote the other third at trying to out-guess the market." The co-operative enterprise through the pool gains through being able to average ups and downs and in so far as it tries to smooth out fluctuations, it brings steady prices to its members. In theory it may be true that a far-sighted grower who studies market conditions could smooth out his prices in the same way, but in practice there is little chance of his achieving this owing to both the complexity of market conditions and the units of sale. Pooling, therefore, protects the producer from having to bear all the effects of a bad market but does not give him the full gains of an exceptionally good market.

The contrast between selling for cash and selling through the pool, which is commonly drawn in the U.S.A., is not a clear distinction. It is quite possible to buy the commodity from the producer for cash and also to pool the qualities, but since all pooling organisations commonly follow the method of advances and deferred settlements, the distinction is sufficiently understood in practice.

The principal difficulties in cash payments which have arisen in the experience of co-operative undertakings may be mentioned. (1) Local managers are assigned tasks in determining grades and prices which they are unable to perform with business safety. With commodities such as wheat and potatoes, to fix a price in the present, having in view the probabilities of future sale, is a matter of great difficulty, and those who have studied the records of local elevators year in and year out believe that it is very frequently an accident when they reach the end of the year with a trading surplus.* Even where there is a futures market in which to hedge, the risks are considerable. (2) When the association buys for cash, a process of bargaining may set in between the member and the manager as to the grade and price

* See Minnesota Bull. No. 211.

of the product and the farmer, feeling himself a separate unit, will stand out for as good a price as he can get and even threaten to use other marketing channels to make the association buy at rates favourable to him. With the membership contract he cannot legally sell elsewhere but he may disagree on the grading and feel aggrieved at the treatment given to him. (3) There is the danger that managers in a desire to please their members will overpay and thus weaken the financial strength of the enterprise. (4) It places the risk of changing levels of prices upon the association and involves the possibility of serious losses as well as speculative gains. In cases where commodities are being stored and carried over periods of time, this becomes a serious matter; it is of lesser importance where an article such as fluid milk is in question. Further it involves the association in financial charges since it is carrying the produce over a period instead of the farmer.

On the other hand, it must be recognised that a policy which gives the farmer cash down and shifts the risks of changing prices on to the shoulders of a specialised marketing association has great attraction for producers, especially as the ordinary merchants operate on this basis.

The case for the pool and the advance payment and deferred settlement policy has already been implicitly stated :

1. It saves the co-operative enterprise from assuming any financial obligation for the produce of its members; the farmer takes his chance of what the organisation can sell it for. This is an important factor with many commodities such as potatoes, eggs, fruit and vegetables and, as already mentioned, if storage is resorted to in order to equalise supplies at different times, then a safety-first policy for the marketing association dictates a deferred settlement.

2. Pooling saves the undertaking from estimating its expenses in advance, which would involve difficult budgeting.

3. The system fits in more easily with the commercial policy of feeding the market. An organisation which bought for cash would carry a heavy burden and would require considerable financial resources to hold its stock even allowing for power to borrow upon warehouse certificates, whereas under the pool arrangement an advance only is given and the producer bears a good part of the service of financing.

4. The pool is also an arrangement whereby quality and grade can be widely recognised and while recognition of quality is not unknown where cash sale takes place, it appears to be beyond doubt that, in practice, quality is far more widely recognised in pooling organisations than in any others.

5. The averaging of results is most easily achieved by pooling.

The experience of large-scale undertakings of the co-operative type is without doubt in favour of the system of advance pay-

ments and deferred settlements and it is necessary to bear in mind that the producer may receive at once from 50 to 70 per cent. of the estimated season price; he is not, therefore, standing out of the whole of his money and further within one to three months he may have a much larger percentage of the total so that the risk really falls upon the 10 to 20 per cent. price margin. In return for accepting this risk of fluctuating prices he has an organisation working in his own interests to keep prices steady and to measure itself against the middlemen system in the effectiveness of the services which it renders. With some commodities, such as milk, the farmer may only stand out of his cash a few weeks; in the case of seasonal crops a number of months according to pool period.*

The additional advantage of the policy is the increased financial stability which it confers upon the marketing organisation which can operate upon a cost of service principle. It is unwise, however, to forget that a number of co-operative enterprises working on this system have got into financial difficulties and into trouble with their own members. The policy has dangers if it is interpreted to mean that the organisation is to be bolstered up at the expense of its contractual membership. The difficulties referred to were occasioned mainly by the slump in prices though rash management played its part; first the associations advanced too much on a falling market to the members and secondly, they tried to hold up their stock from one season to another. In these conditions, settlements began to fall behind and the producers, with all the burdens upon their farms increased by the depression, felt that the marketing organisations had lost their money by lack of foresight and by over-reaching themselves in the market. It may be however, that the "shock" was of value to certain fruit organisations which were developing ambitious marketing policies based upon control of large proportions of the supply without due reference to what the market can stand.

Pooling and Feeding the Market.

The control of the movement of produce to market is dealt with in connection with selling organisation, but it may be pointed out that the pooling is of importance in feeding the market, since it hands over to one control the assembled supplies and thus makes possible a centralised policy as distinct from the service of markets by a number of independent units; it is for this reason that pooling has become such a prominent conception in the literature of co-operative marketing; it is a key position and is referred to as a "corner-stone of the merchandising plans of all the American co-operative associations that are organised on a commodity-wide basis."† Pooling is the orderly mobilisation of the produce to be sold.

* See page 97.

† cf. Steen "Co-operative Marketing," p. 321.

The Pooling Period.

The pooling periods employed vary with (1) the character of the commodity to be handled and (2) to some extent with the desires of the members. In general it may be said that perishability limits the pooling period while durability and storability extend it; there are in operation car-load pools, daily pools, weekly pools, fortnightly pools, monthly pools and season pools.

Milk associations and creameries commonly pool on a monthly basis; the members' cheques would be despatched to them about three weeks after the close of each monthly pool and a thirteenth cheque would sum up all surpluses of the year's account taking into consideration, in the case of fluid milk societies, milk diverted into alternative uses. Seasonal crops fall naturally into seasonal pools, although it must be observed in the case of fresh fruit the problem may become complicated by the different times at which crops mature in different districts; early districts will rarely allow their produce to be put into general pools because they feel that the two or three weeks of earlier maturity is just as much a difference of grade as any distinction of quality. This raises the question of creating early, middle and late season pools and some associations have experimented in this direction; these difficulties arise in the marketing of apples in the North-West and in the case of citrus fruits in Southern California.

Maynard describes the position in his study of the North Western apple trade (p. 60). "The provision that the fruit of a grower may be pooled with that of any other grower is more significant than might appear at first sight. The association (the Wenatchee District Co-operative Association) operates over the entire North Central Washington district. Certain sections, such as Rock Island and Sunnyslope, are as much as three weeks earlier than other districts and especially is this true in the case of the early varieties. The growers in those early sections feel that they have a certain advantage in that they can get such varieties as Winter Bananas and Jonathans on the market three weeks before those coming from other parts of the district. This means that they can get the fancy price for early apples. They object to pooling their apples with those of growers in the late districts and have for this reason refused to join the association because it provided only for a valley-wide pool rather than one for each locality by itself. An attempt has been made to meet this objection by providing that for certain varieties an early and late pool shall be organised." "The obvious solution to this difficulty" Maynard observes, "is the maintenance of pools organised for each locality but this means a multiplication of accounting. It would also limit the benefit which is supposed to follow the use of the pool, for its use depends on giving the law of averages a chance to work out, that is, a sufficiently large tonnage must be pooled so that either high or low prices for one car will not affect the whole pool unfavourably or even favourably."

Eggs are commonly put into weekly pools as has been described in the case of the Poultry Producers of Central California.

Potatoes present a difficult case; both yearly and monthly pools have been recommended. A serious point is that a considerable portion of the available potato storage is on farms. This means that potatoes lying on farms, unsorted, ungraded, liable to freezing and rot, form part of the annual pool and will require to be sorted and graded on delivery; further, as has been pointed out,* the grower has to be paid by some method for the use of his storage. A succession of monthly pools has been suggested as the solution of this problem, but then there arises the question as to which pool a member's potatoes go into and if the member makes the decision then the association may find it difficult to regulate supply to the market. The pooling period for livestock is often the single shipment, or in some cases the weekly shipment.

There are certain problems connected with the pooling period which deserve special attention, namely, the complexity created by storing up a commodity out of one pool until a time after that pool is nominally settled.

If the produce is perishable, the matter does not arise, but semi-perishables like butter and eggs go into storage. If the co-operative enterprise does its own storing either (1) it could make the whole year the period and distribute at the final settlement the results of the sale of the stored product, or (2) let its local and district unit decide whether they will store or sell, or (3) let each local or other unit contribute a certain proportion of its pool to the store.

The method of payment sometimes used is to pay the pool, from which the produce is taken, for storage at market price and accept the risk of the storage policy being remunerative enough to cover expenses; this is, of course, equivalent to buying for cash, a policy not usual among large co-operatives; another way is to create a special storage pool drawn from the other pools so that each member or local unit stores the same percentage; this is in the opinion of many a safer policy as it is a deferred settlement without risk to the association. Further, if pools follow each other in time and have different price averages, the producers may attempt to get into the high-priced pool or to complain if their produce goes into a low-priced pool.

If it were possible, a producer might be required to deliver a certain fixed percentage of his output to each pool so as to preserve a fair average, but varying production, seasons of ripening and other factors make such a plan difficult to work out accurately.

The Pooling Area.

1. Pooling may be done in local units, the identity of the product of each local being maintained through to the consumer. If lack of care is evident in accepting and handling the produce, then the local must face the full responsibility. On the other

* See Minnesota Bull. No. 211, p. 53.

hand if the product of many localities is being combined in a pool, one unit may get away with as much as it can at the expense of the others. Many differences between the products of the different localities cannot be measured in terms of existing grades; this is true of wheat, fruits, vegetables, and even of eggs. One way of dealing with this would be to create arbitrary price differentials so that a good district was favoured over an ordinary one.

2. Pooling may be done with the whole crop as a unit. This is usually resorted to in districts with highly concentrated production within limited distances. This system has the merit of making it easy to control the movement of the commodity to market and also its quality.

3. State pools are employed for wheat, cotton and other crops, and intermediate between the local and the State come district and county pooling units. The objection commonly advanced to small unit pools is they do not exercise a sufficiently sharp control over grading, processing, and so on, whereas a State or district board will not be subject to the same kind of special pressure from producers.

The Pooling Expenses.

The pooling system raises the question of how overhead charges should be distributed and what losses and gains should be charged to the pool. When the produce of a considerable area is pooled, it is a matter of importance what charges are to be made against all producers alike and which are to be varied by localities. Freight may be varied by localities; losses may be considerable in certain pools and warehouse expenses may fluctuate greatly. Losses in shipment cannot always be fairly charged solely to the pool affected; the same holds of losses in storage. Advertising is partly a general expense but some kinds of trade brand advertising should be partly charged to particular pools. If the year is the pooling period, this may not be difficult, but with monthly and weekly pools, arbitrary divisions of expenditure may require to be made.

B.—Orderly Marketing.

Orderly Marketing—The Control of the Time of Movement of Goods to the Market—The Control of Output by Producers' Associations—The Control of the Distribution and Sale of Produce—Advertisement and the Sale of Surpluses—The Management.

The conception of orderly marketing covers a number of allied problems connected with the sale and distribution of agricultural produce. The chief of these are (1) the control of the time of movement of goods to the markets; (2) the control of output by producers' organisations; (3) control of distribution and sale together with a consideration of how far organisations may strike through to the consumer in marketing their products; (4) the influence of surplus output; (5) the effect of advertising on sales.

The contrast commonly is between the orderly movement of commodities to market on a carefully considered plan of releasing supplies and the after-harvest dumping which has been widely

manipulation which is one of its characteristic imperfections. In any case, one test of the size of the marketing margin can be made by producers; namely, to set up their own organisation to perform these services, which is the policy of the large-scale co-operative organisations. Experience in the U.S.A. has been, both in the case of milk and fruit organisations, that it is difficult for the outsider to distinguish between a fair use of bargaining power and an undue pressure of monopolistic strength, since it is all a question of whether there is undue enhancement of prices to the consumer.

Control of Output.

There is one matter, however, which suggests that co-operative organisations are unlikely to carry a monopoly price policy far enough to affect the public interest; namely, that they do not control production, and any policy of raising prices brings about an increase in output, which tends to defeat the original aim by lowering prices; this influence may operate all the more strongly if foreign or outside competition is weak. It has been pointed out that all the membership contracts avoid mention of control of acreage with great care and may specifically mention that the member may increase or decrease acreage as he desires; on the other hand, since co-operative organisations have to justify themselves to their members by the prices they obtain for their produce, the annual reports of many associations point to the increase in acreage as a factor in making prices, and the management suggests and advises whether it is wise or prudent for growers to increase their output. Stripping this subject so far as possible of the atmosphere of prejudice in which it is usually discussed, the common-sense view would seem to be that, apart altogether from the consumer's fear of monopoly and the farmer's fear of unremunerative prices, market conditions are a natural business test and guide to the expansion and contraction of agricultural production. It is far better to have such guidance given in an intelligent manner to the farmer rather than to trust to such reports as filter through to him, usually too late to affect price levels. It is very unlikely that the Federal Government will ever permit producers' organisations to control acreage without careful supervision of their policy in the public interest, but on the other hand the policy of "intention" study and of estimates of crop outputs and of public requirements is gradually leading the Federal Government, through the Department of Agriculture, to suggest in advance what increase or decrease of acreage is necessary to meet the demand on the one hand and to cover costs on the other; this involves careful decisions as to what quantities the markets are likely to absorb at different prices and what are the costs to be covered for different volumes of production. It may then fall to the farmers' organisations to persuade their members to follow the official advice, either by specifying the acreage of a given crop allotted to each producer or by suggesting a certain per cent. increase or decrease according to circumstances.

Distribution and Selling.

The question of how far co-operative associations control the distribution and sale of their produce depends upon the character of the produce. A useful generalisation from which to start, however, is that commonly they sell through the intermediary links, wholesale, jobber and retail, more rarely they may strike through to the retail trade; in other words, the co-operatives organise marketing services to the wholesale stage and after that exercise indirect control over their product by advertisement, checking consumers' prices, and by negotiation with dealers and jobbers. In general they trade in the central and terminal markets, deal with key positions such as the existence and sale of surpluses, but do not usually send their salesmen into the consumers' markets. In the case of milk societies in smaller centres direct sales to consumers may be undertaken, and even the large organisations such as the Twin City Milk Producers of Minneapolis and St. Paul and the New York Dairymen's League venture into this field, but in these two latter cases the entry into the retail trade is partly of the nature of a strategic move, as has already been explained (*see* Chap. III). In general they stop at the wholesaling functions and the management of surplus. The large fruit organisations may sell through the ordinary wholesale and brokerage channels, and some of them employ staffs of salaried agents to push their products and try to establish their connection through the widespread advertisement of trade brands. Egg associations push through to the terminal markets, and in the case of the Californian group employ an overhead selling agency. Wheat, livestock, cotton, tobacco, and wool are commonly carried to the terminal market stage by the large associations.

A selling plan necessitates preparation and organisation along two lines, (1) some agency must be set up or employed to collect information about markets, the probable demand in different centres, to find customers, and build up a regular good-will; (2) on the information furnished some other department must direct shipments at the right time. A large co-operative may set up its own news service through its own officers or in alliance with a large commercial agency; the Federal Department of Agriculture has entered this field and provides day to day information as to the state of certain markets; one advantage of an official news service is that it can be used for different articles having different seasons, and a reporting service can be maintained at moderate cost which is better than any one group of producers could maintain for themselves. The association may choose to employ a commercial agency with a nation-wide organisation to collect information, and to direct shipments. Movement of the commodity to market is most regular when controlled by a central body. It must be noted that in the case of some federal types, authority over acceptance of orders and despatch to market is handed over to district or local units and the central unit is

an agency; the California Fruit Growers' Exchange belongs to this group.

It is frequently said that the co-operative marketing enterprises get for the producers the prices yielded by supply and demand at the point of consumption rather than at the point of production. All that is meant by this is, however, that if the co-operative undertakings are feeding the market they must accept responsibility for storage, finance, and surplus, in place of the middleman, and therefore producers' prices and consumers' prices will be more strictly parallel, since the risks of the wholesaler and retailer are standardised or shifted on to the shoulders of the association.

Some account has already been given (Ch. III) of the sales departments of certain large marketing undertakings; the plans commonly aim at eliminating risk and guesswork in moving the commodity to market, stimulating consumers' demand, extending the marketing season, improving the transportation service and utilising by-products. The example of the citrus fruit growers shows these features; there is the system of market and production reports and the planning of distribution of supplies; new markets are developed and the consuming capacity of old ones increased; consumers' requirements are studied and attempts are made to improve retailing methods, such as display and the advantage of quick turnover on a small margin; new channels of consumption may be opened up such as orangeade, the use of fountain juice extractors; the marketing season has been extended by planting new types of oranges, and by-products have been utilised. Advertisement has been widely used in newspaper, magazine, poster and street cars; dealer-service men have been employed to secure the attention and interest of retailers in citrus fruits, and trade brands have been the subject of special campaigns.

Advertisement and Sale of Surpluses.

The position and use of advertisement have been greatly extended of recent years and a special feature is the employment of advertisement to dispose of large crops. The public, it has been pointed out, is never fully aware of the existence of a large crop and low prices. A low price well advertised will, it is found, pay much better than a still lower price left unadvertised. In dealing with gluts at the period of the season when supply is at its maximum, it has been found that selling campaigns move the product quickly into consumption and the view is held that, if advertisement were confined to times of peak-load marketing, and to the pushing of well-known trade brands, it would achieve more than if used in a miscellaneous manner. It must be kept in mind, however, that much advertisement is competitive in its effect; it is not producing to any great extent a genuine all-round expansion in the consumption of food products. This is recognised by certain fruit organisations which do their best to oust other fruits from consumption in order to expand their own market.

It is seen in the relation of the consumption of milk to the consumption of butter and cheese. The demand for all food products is not seriously expanded by simultaneous advertisement campaigns of special commodities. Again, in times of prosperity, it is relatively easy to increase sales by advertisement, but in times of depression the task is one of great difficulty.

The widespread tendency to create specialities and trade brands is of considerable interest both in the home and international trade of the U.S.A. It rests upon the view that the public can be persuaded to buy a high-grade article at a relatively high price provided it is branded and well advertised instead of a lower quality at a lower price; this is already put into operation with certain fruits, vegetables and butter.

The Management.

In view of the elaborate machinery which has been described as characteristic of large-scale co-operative enterprise, it may be asked what types of men are placed in charge of such undertakings. The sources from which the chief managers are drawn are numerous; warehousemen, dealers, packers, bankers, men from colleges of agriculture, extension officers, co-operative employees and "dirt" farmers, are all found in leading positions. There is a growing recognition of the necessity for skilled and expert management and very large salaries, amounting in particular cases to \$50,000 per annum, have been paid to attract men from private business.

The offices are carefully organised with hosts of calculating machines to manage the elaborate accounts necessitated by pooling, and compare with the offices of large business houses. The type of manager required is one accustomed not to farming but to business. In brief, the atmosphere of the modern super-co-operative is that of big business in the sphere of farming.

CHAPTER VI.—THE FORMS OF FINANCIAL ORGANISATION—CAPITAL STOCK AND NON-STOCK.

Capital Needs of Co-operative Associations—For Organisation, Equipment and Working Capital—For the Handling and Carrying of the Product to Market—Capital Stock and Non-Stock Associations—Description of the Non-stock Corporation—Economic Significance of this Form of Organisation—Influence of the Anti-Trust Acts upon Co-operative Marketing Associations—Provisions of the Capper-Volstead Act, 1922—Subsidiary Stock Companies—Their Relation to Warehousing and Credit—Warehousing—The United States Warehouse Act—The War Finance Corporation—Agricultural Credit Legislation and the use of Intermediate Credit—Revolving Funds and Advance Funds—Certificates of Indebtedness—Mortgaged Crops and Membership Contracts—Business with Non-Members.

The explanation of the forms of financial organisation which have developed in co-operative marketing enterprises, is not complete without reference to the State and Federal Laws which have influenced some of the characteristic features of these arrangements. (See Ch. VII.) The following is, however, a general account of the chief points involved.

The two problems connected with the financing of a large scale co-operative association are, (1) provision for the organisation itself, its plants, equipment and operating capital, and (2) the financial arrangements incidental to the handling and carrying of the product to market.

The kind of commodity and the marketing problem are the chief factors in influencing the need for, and the methods of obtaining, capital; livestock shipping associations, wool societies and other similar bodies require relatively little capital, while milk associations, creameries and egg societies may have large investments in plants, equipments and warehouses. In regard to marketing finance, reference has already been made (see Ch. V.) in dealing with pools to the different periods during which associations may carry the product. With a seasonal pool every member gets an advance on delivery of his output and this is granted whether the member be actually in urgent need of the money or not; with shorter periods the financial strain is less until, when the monthly pool is reached, the association may not pay anything to its members until the returns come in. Another matter of serious interest to associations is the danger of advance payments being made too great in years of heavy production and falling prices; if some of the output is left over at the end of the season the question of renewal of loans arises and neither banking institutions nor the War Finance Corporation are inclined to encourage borrowers to hold over in this manner; there is always the fear that associations, like individuals, may form erring judgments as to the price of their product and, inspired by a producer's bias, hold too long for the possibility of a higher price.

Capital Stock and Non-Stock Associations.

A contrast is commonly drawn between the respective merits of associations with capital stock and those which raise capital by other means (*see* Table 32, p. 143).

The Capital Stock Co-operation is the form of co-operative organisation which is familiar in Britain, and it is not proposed to describe it in detail. Shares of capital stock are sold to the members to obtain the capital needed in the business and rules are made as to each member owning at least one share, each member having only one vote, whatever be the amount of his share capital. Limitations are placed upon the amount of interest to be paid upon stock, each member participating in the gains of the business in proportion to the degree in which he makes use of it, and membership open to producers is commonly the basis of the organisation. There are certain variations from type as, for example, where voting may to some extent be made dependent upon the amount of business done, or upon some indirect measure of the volume of trade such as acreage or number of cows, or again, where the number of shares is linked up with the quantity of business transacted, and that, again, with voting power. There is also the influence of non-producer shareholders upon the organisation. The capital stock form is prominent with associations which require considerable quantities of fixed capital in their operation, such as milk societies, creameries, grain elevators, cheese factories and some egg societies.

The non-stock corporation type has had a notable vogue among the large scale co-operatives and, therefore, merits description. It is not clear, however, how far it suggests any ideas of economic value for other than American conditions. The launching of a commercial enterprise without capital stock is not a familiar conception to the British farming community, but the basic idea of the non-stock plan is well enough known and understood in non-commercial work; most clubs, unions of producers, and other similar undertakings are run by means of membership fees, and these fees may be varied according to some agreed standard, such as acreage worked by the producer or business done by him. In theory there is no reason why the fee should not be as large as the subscription for stock, but in practice membership fees are smaller, especially as membership drives and membership campaigns would progress much more slowly if high fees were fixed. The fee frequently asked for is often only large enough to pay promotion expenses and to carry on the association till the first crop comes due, when deductions from the price of the produce, for the purposes of the association, may be made. The non-stock form of organisation is commonly associated with the term non-profit which means that any gains of the enterprise are returned to the producer members. Three reasons have been advanced for the growth of this type of association, legal expediency, the ensuring of producer control, and the securing of complete unity of interest between the undertaking

and its members.* The matter of legal expediency need only be alluded to in brief; up to February, 1922, there was a certain privilege accorded to this form of association under the Clayton Amendment to the Anti-Trust Acts, 1914, but the passing of the Capper-Volstead Act in 1922 gave both stock and non-stock associations the same privileges if certain conditions were fulfilled. This Act clearly recognises co-operative commercial effort among farmers, and its main provisions are;

1. "That persons engaged in the production of agricultural products as farmers, planters, ranchmen, dairymen, nectar fruit growers may act together in associations corporate or otherwise." The effect is that a co-operative association to come under the law must have only producers as stockholders or members; it would exclude associations with non-producer members or stockholders.

2. Associations which desire to come within the Act must be "operated for the mutual benefit of the members thereof," and conform to *one* or *both* of the following requirements: (i) no member of the association is allowed more than one vote; (ii) the association must not pay more than 8 per cent. dividend on stock or membership capital.

In addition, the association must not deal in produce of non-members to an amount greater in value than such as are handled by it for members. (Act, Section 1 and U.S.D.A. Statement).

Section 2 of the Act empowers the Secretary of Agriculture to deal with any co-operative association that is found to be operating for the purpose of unduly enhancing prices.

The ensuring of producer control is held to be specially secured by the non-stock association, because membership certificates are non-transferable and, in consequence, the enterprise has close control over its membership. Also non-producers may be prevented from entering and lapsed members may be dropped without undue complication; there is said not to be so strong a tendency to drift towards ordinary company organisation under these conditions. The unity of interest between the members and the association is emphasised by the absence of interest-bearing stock. It is obvious, however, that membership fees may be an entirely inadequate substitute for the ordinary method of selling stock to obtain funds, and such associations find it necessary to have recourse to other devices, of which the following two are the chief: (1) subsidiary stock companies, often with preference and common stock; (2) revolving funds and advance funds subsidiaries which have already been described (Ch. III.) in the case of certain organisations, such as the Prune and Apricot Growers and the Sun-Maid Raisin Growers.

The salient characteristics of subsidiaries are: (1) their capital stock organisation, and (2) their relation to warehousing and credit.

* *c.f.* Steen, Co-operative Marketing, p. 340.

A usual method of raising capital is to create two classes of shares, common and preference. The common stock is retained among members of the marketing association, and the preference stock is offered to other interests in the locality. This is looked upon in many quarters as a suitable method of attracting the capital of non-producers who are interested or indirectly connected with the co-operative enterprise. This form of subsidiary is, therefore, a stock corporation bound by a service contract to the producers' association; a provision often found in connection with the preference shares is that the growers shall contribute pro rata to a reserve fund designed to retire the preferred stock within a certain fixed number of years.

Non-stock associations do, therefore, utilise ordinary capital stock methods in their subsidiaries.

An example of this form of relationship is the linking of the Sun-Maid Raisin Growers of California and the Sun-Maid Raisin Growers of Delaware, the stock subsidiary; the first, as has been pointed out, is a legally constituted co-operative association, composed solely of growers each having one vote. The Delaware organisation serves the California enterprise under a contract which sets out the financial basis, including the payment of cost of operation and dividends at 7 per cent. on outstanding preferred stock, and also deals with warehousing, processing, advertising and selling. The stock corporation is stated to embody in its legal aspects "the most modern and approved practices utilised by commercial corporations of large interests," and further to be "on a legal basis of full equality with any competing private enterprise."

A second illustration may be taken from the terms of the relationship between the North Carolina Tobacco Growers' Association and its subsidiaries (1922). The growers' association is to give notice to every member in a district of its intention to organise a subsidiary corporation, specifying the amount of capital stock involved; nature of plant; location of plants and their specific purposes. A period is fixed for the expression of growers' views on the plan. Stock is common and preferred; common stock is to exceed preferred in amount, and is to be sold to members only at par, but no member can purchase more than 100 dollars' worth. The preferred stock has no voting power, but has guaranteed dividends and is open to public subscription; it is divided into 5 equal classes, all bearing 8 per cent. cumulative dividends and having similar preferences, subject to retirement with a bonus of 2 per cent., at the rate of one class per annum.

The function of the subsidiaries and their relations to the marketing organisation are determined by cross contract: the subsidiaries handle, process, dry, cure, condition, manufacture, heat, store, ship and deliver, all as required and directed by the association; the payment is actual costs, plus enough to pay 8 per cent. on common stock and on preferred stock, together with the proportionate charge needed to retire one-fifth of the preferred stock annually. In addition, provision is made for overhead

charges, such as taxes, insurance, depreciation, betterments and other commercial and secondary charges. Any warehouse the association owns will be conducted as a public warehouse. Growers get credit for all deductions from the price of tobacco designed to pay off preferred stock by receiving common stock of equivalent value.

The bond between subsidiaries and the co-operative enterprise of the producers is, therefore, common stock ownership, cross contracts, and also interlocking directorates; in some cases the directors of both organisations appear to be the same men. It, therefore, appears that the subsidiary is a device for raising capital outside of the producers' association and yet under its control; it is sometimes suggested that the plan is analogous to the well-known method of interlocking companies in large scale business where security for supplies and a certain distribution of risks is desired. In some instances, this suggestion appears well founded, as for example in the case of the Fruit Growers' Supply Company and the California Fruit Growers Exchange, where the subsidiary provides supplies for use in packing and shipping citrus fruits. It is not, however, so clear that any distribution of risks is attempted, since the capital arrangements and the cross contracts lay all risks on the producers, and a strict provision is usually made that the subsidiary is to do work for no one except the growers' association, the only exceptions being that occasionally warehouses may hire space to outsiders and thereby serve other interests.

Warehousing.

A main reason for the growth of subsidiaries appears to be their relation to warehousing and credit operations. Warehousing is a key position in the work of all associations attempting to market farm products systematically, since it determines how far smoothing out of supplies is possible, and can take place without loss. It is also a basic factor in moving crops to market since it provides liquid assets upon which bank advances are made. Co-operative associations accepting responsibility for orderly movement of their products to market naturally adopted the commercial practice of offering warehouse receipts as security for advances, and a double organisation became necessary, because one association cannot, in most States, legally issue a receipt to itself. Subsidiary warehousing corporations met this situation, and after 1921 the practice became widespread. It was not, however, without considerable difficulty that banking institutions came to provide such services for co-operative enterprises; the value of warehouse receipts depends upon a number of factors, such as the standing of the warehouseman, the legal conditions under which receipts are issued, the nature of the checks and examination of goods which are employed. Whilst, therefore, banks in centres like Los Angeles and San Francisco, which are familiar with the practices of co-operative undertakings, may readily grant advances on such collateral security; financial

institutions in New York or other great centres might naturally hesitate before embarking upon such business, knowing that warehousing practices were far from satisfactory in many States and that co-operative marketing associations were comparatively untried organisations in large scale commercial work, and also having in mind that the warehouse receipt in such cases, although nominally in different names, was really made out by associations to themselves.

Three factors greatly assisted in breaking down these handicaps (1) the influence of the United States Warehouse Act, (2) the work of the War Finance Corporation, and (3) Agricultural Credit Legislation dealing with intermediate credits. Some reference may be made to the effect of these agencies.

The United States Warehouse Act.

This law was passed by Congress in August, 1916, and amended to cover the storage of all agricultural products in February, 1923. It places the supervision of duly licenced warehouses under Federal control, aims at unifying warehousing conditions, checking doubtful practices and giving a warehouse receipt a definite and widely-recognised significance. Large numbers of co-operative organisations are availing themselves of its provisions. It deals with the bonding of the warehouseman, the suitability of the storage, the competence of the managers, inspectors, weighers, graders, the inspection service before and after licensing. The Act is permissive, not mandatory. Progress has been considerable in the case of the staple products to which the system was first applied; the licensed warehouse capacity on December 31st, 1923, was 2,566,000 bales of cotton, 33,800,000 bushels of wheat, 25,645,000 pounds of wool and 348,399,000 pounds of tobacco. It falls to the Secretary of Agriculture to administer the statute and to specify the commodities to which the law may be applied.

The War Finance Corporation.

The War Finance Corporation created in April, 1918, was designed to provide credits for industries and enterprises in the U.S.A. necessary or contributory to the prosecution of the war and started with capital stock amounting to \$500,000,000. The Agricultural Credits Act of August, 1921, authorised the corporation among other things to make advances "to any co-operative association of producers in the U.S.A. which may have made advances for agricultural purposes." It had advanced in two years (August, 1921-August, 1923) 36,000,000 dollars of which 31,370,000 had been repaid, to co-operative marketing associations. Such loans were made for periods not exceeding one year but there were renewals or substitutions of new obligations provided always a loan never ran beyond three years. The corporation had agreed to make advances totalling approximately \$190,000,000 to co-operative marketing associations but the coming into the business of the large banking institutions made it unnecessary for the War Finance Corporation to consummate many of them. By an

amendment embodied in the Agricultural Credits Act of 1923, the War Finance Corporation cannot make loans of any kind after March, 1924, but is given until June, 1927, to liquidate its affairs completely.

Intermediate Credits.

The Agricultural Credits Act of March, 1923, established under one of its titles Federal intermediate credit banks, which included among their functions powers to make loans direct to co-operative associations when the loans are secured by warehouse receipts or by chattel mortgages on livestock. The loans and advances must have a maturity of not less than 6 months and not more than three years. The functions of these banks follow closely in this respect those of the War Finance Corporation and it seems that Congress intended the intermediate credit banks to continue the kind of credit facilities furnished by the War Finance Corporation. The other type of credit institution established which affects the finance of co-operative marketing associations is the National Agricultural Credit Corporation, the functions of which are almost identical with those of the intermediate credit banks; the time of discount must not exceed nine months except in certain special cases.

The warehouse receipts plan has therefore been greatly assisted through the public recognition accorded to it in the way which has been described; it is still being improved and perfected in certain directions, as for example in dealing with cotton which is warehoused but is continually moving out to markets or arriving from the presses. It is noticeable that the War Finance Corporation and the intermediate credit institutions represent Government ventures into short-term credit business although they do not touch periods under six months.

Revolving Funds and Advance Funds.

Many large non-stock co-operatives do not raise capital stock through subsidiaries but make deductions from the returns to their members and create a revolving operating fund. They issue certificates of indebtedness to their members which expire in a certain period, usually five years; as each group of certificates matures it is paid off and new deductions are made to retire the capital that is repaid. The significance of the plan lies in its keeping the operating fund in close relation to the business done, each member having an amount subtracted from his return which is proportionate to the business; further it allows the interests of lapsing members to be paid out periodically and therefore spreads the burden of financing the association over those who are actually its members and who are benefiting by its services.

The New York Dairymen's League has been quoted as an example of a large association which employs certificates of in-

debtedness to provide both fixed and working capital. The method is deduction from the price of milk to continue so long as the producer delivers milk or milk products to the association for sale, each certificate to be delivered to the member after the end of each fiscal year. One-fifth of this entire loan fund is to be repaid each year and 6 per cent. is the rate of interest.

The Poultry Producers of Central California has been given as an illustration of the use of an advance fund. The deductions are provided for in the sales agreement and certificates bear interest at 6 per cent. per annum; they are to be retired in order after the fund has reached the sum named as necessary, 400,000 dollars.

Mortgaged Crops.

A difficulty in the working and finance of co-operative associations has been the presence of mortgage over crops which took precedence of delivery to the associations under their marketing agreements. It might therefore happen, especially in the Southern States, that mortgages over crops might be used as a method of attack upon co-operative marketing associations. The tendency in this situation is to promote legislation which allows the co-operative association to accept delivery of crops even though they may be mortgaged, but requires the organisation to recognise the claims of lienholders before settling with the growers. The first State to adopt a law which allows the co-operatives to accept delivery and to pay out lienholders is Maine (April, 1925). Associations now take delivery of crops regardless of mortgages and, on the other hand, are made responsible for payment of the proceeds to the lienholders.

Non-Member Business.

Allusion has already been made to the provision of the Capper, Volstead Act dealing with non-member business, which provides that it must be less than half of the total business. Most of the large-scale enterprises deal with members only, but there is some difference of opinion as to the correct treatment of non-members. Should an association refuse to handle the produce of those who are not its members or should it offer its services on special terms? If the outsiders can find alternative buyers, it is doubtful if decisive refusal to trade with them is the correct policy, since buyers come into the district and producers are split between two rival channels of trading; the alternative is to handle non-producer business on such terms that members still have advantages but attractive facilities are offered to non-members. In this way non-members may develop a friendly feeling towards the enterprise and may be gradually drawn into the association.

The matter is of importance where locals have been built up without membership contracts and where on its first introduction there may be natural opposition.

A Table (Table 32, p. 143) is appended showing associations by kinds and by organisation characteristics in March, 1924. There are included large numbers of small associations but, even allowing for this, capital stock associations are 68 per cent. of the total and in the cases of poultry, wool, tobacco, and nuts the figure is much smaller. Of the associations giving returns, 65 per cent. had all members producers and in particular cases the percentage was much higher.

CHAPTER VII.—CO-OPERATIVE MARKETING ASSOCIATIONS IN RELATION TO STATE AND FEDERAL LAW.

State Laws—Recent Developments—The Standard Co-operative Marketing Act—Summary of the Main Sections—State and Federal Anti-Trust Acts—The Trend of Legislation—Present Public Policy towards Co-operative Marketing Associations—Economic Aspects of Monopoly—Federal Legislative Proposals dealing with Co-operative Marketing—The Question of Federal Control and Regulation—Starting Co-operative Marketing Associations—Problems Involved—Distinction between the Promotional Stage and the Management Stage.

The final aspect of co-operative marketing associations which remains to be discussed is the legal position, and the two subjects discussed in this chapter are (1) the State laws under which co-operative marketing associations are incorporated and (2) the relation of large-scale co-operative undertakings to the Anti-Trust laws.

State Laws.

It is only within the last twelve years that any considerable body of States have passed special laws providing for the formation of co-operative enterprises. The earlier co-operative statutes dealt with the incorporation of non-profit capital stock associations. The non-stock non-profit form was not generally recognised until after 1920, although special mention is made of this type in the Clayton Anti-Trust Act of 1914 and special privilege was granted to it under that statute. The notable expansion of commodity marketing organisations within the last five years created a strong demand for special legislation which would clearly recognise the legal status of the new type of co-operative enterprise which was springing up throughout the country. Practically all States now have some form of co-operative law and these may be classed in three groups: (1) those laws which provide for capital stock organisations alone; (2) those which relate only to non-stock organisations; (3) those statutes which combine provision for both types.

The growth of experience in the legal problems involved in co-operative marketing has resulted in a more or less standard Co-operative Marketing Act, which, after being first passed into law in Texas in 1921, has been adopted in 36 States out of the 48 in the Federation. This standard act is the most specific and definite legislation ever enacted in any country in regard to co-operative marketing. It does more than grant legal recognition to co-operative marketing enterprises: it definitely legalises certain features of co-operation which had never been openly recognised before, and it makes a differentiation between co-operative and private commercial effort by picking out certain essential features to be associated with the use of the term co-operative.

In view of its importance, some account is now given of the Standard Act, and the New York State Act passed in March, 1924,

has been used to bring out the chief points as it is one of the most recently drafted co-operative laws. The act authorises the formation of non-profit co-operative associations, with or without capital stock, to promote the orderly marketing of agricultural products through co-operation, and it sets forth both the powers and the duties of such organisations.

Its main sections may be summarised: (1) the declaration of policy states that the object is to promote, foster, and encourage intelligent and orderly marketing, to eliminate speculation and waste, to make distribution to the consumer as direct as possible, to stabilise the marketing of farm products, and to provide for the organisation and incorporation of marketing associations; (2) the minimum number of persons required to organise is seven; (3) the purposes include such activities as harvesting, preserving, drying, grading, storing, handling, manufacturing, supplying and financing; (4) the powers include the right to market the produce of its own members, and to handle the produce of non-members up to 50 per cent. of the total business done. Many of the general powers of business corporations with regard to ownership and finance are detailed; (5) membership is only granted to those actually engaged in the production of agricultural products. This would include tenants, landlords and occupying owners; (6) if an association is organised without capital stock then the property rights and interests of each member must be determined and fixed by rules; if with capital stock, then the number and par value of the shares must be stated. Division may be made into preferred and ordinary stock, but preferred stockholders shall not be entitled to vote; (7) byelaws set out the conditions to be fulfilled by those desiring to become members either through membership fees or ownership of ordinary stock, and also when a member is automatically suspended, when he ceases to be eligible for membership, and on what grounds he can be expelled together with the manner of valuing his interest upon his withdrawal; (8) no association is to issue stock to a member until it has been fully paid for and no member is liable for debts of the association beyond the sum unpaid on his membership fee or his stock subscription. In an association of less than twenty members, no one stockholder is permitted to hold more than one-third of the capital; if over 20 members are in the enterprise, no one of them is to own more than one-twentieth of the stock. Eight per cent. is the limit to the size of dividends on stock. No member can have more than one vote. Preferred stock may be sold to any person, member or non-member and may be redeemed or retired by the association on agreed terms. Ordinary stock transfer is restricted to those actually engaged in agricultural production; (9) the association and its members may make and execute marketing contracts but the period of time for which members are bound shall not exceed five years at any one time. The usual remedies for breach of contract, liquidated damages, injunction and specific performance are provided; (10) it is a misdemeanour

to spread false reports about the finances and management of the undertaking, and any person firm or corporation which solicits, persuades or aids any member to break his marketing contract, by receiving his products for sale or auction, is liable to heavy fines and actions for damages; (11) associations are declared not to be in restraint of trade and marketing contracts are stated to be of legal validity.

It should be observed that the associations organised under this law are deemed non-profit in this sense that they are not run to make profits for themselves as such nor for their members as such, but for the profit of their members as producers.

The Anti-Trust Laws.

Both the State and Federal Governments have a large body of legislation dealing with the regulation and control of monopolies and combines, and attention has been called to the position of co-operative marketing associations by the prosecution of certain farmers' organisations dealing in milk and fruit. Without going into this matter in any detail, brief reference may be made to the main lines of public policy so far as these have developed.

The general tendency is to exempt co-operative associations from both State and Federal laws regulating monopolies and contracts in restraint of trade. This does not mean that co-operative marketing associations are free from prosecution at law if their actions are deemed to be against the public interest, but it makes clear the position that co-operative enterprises with binding contracts are perfectly valid forms of organised activity among farmers. State policy has been clearly and specifically expressed in favour of co-operative marketing in the standard act and a usual clause runs as follows:—"No association organised hereunder shall be deemed to be a combination in restraint of trade or an illegal monopoly, or an attempt to lessen competition or fix prices relatively; nor shall the marketing contracts or agreement authorised in this act be considered illegal or in unlawful restraint of trade, or as part of a conspiracy or combination to accomplish an improper or illegal purpose." (From Minnesota Special Co-operative Law).

The trend of federal legislation which affects these associations is found in three statutes. The first of the Federal laws is the Sherman Anti-Trust Act of 1890 which condemned all contracts or combinations in restraint of trade whether of farmers or labourers or other classes. The Clayton Act of 1914 supplementing the Sherman Act was regarded as a great gain to farmers as it stated that agricultural or horticultural associations operated without capital stock and non-profit should not be held to be in restraint of trade. The third statute was the Capper-Volstead Act already referred to (*c.f.* Chapter VI.) which contained two groups of provisions, the first dealing with the conditions of operation of co-operative associations with or without capital stock as regards bargaining, the second giving the Secretary of Agriculture powers

to inquire into any undue enhancement of prices that is suggested as a result of the action of co-operative marketing associations.

For the present, therefore, the legal view appears to be that co-operative marketing associations are to be judged upon their merits as rendering services both to consumers and producers and that since they may be rendering this service more effectively than other marketing systems, they must not be condemned because they may outwardly present some of the aspects of monopoly. Whether legal interpretations will always be as favourable as this depends a great deal on the way in which co-operative enterprises take account of social obligations and in this connection the practice of arranging to appoint a public director to the board of directors, who would represent other than producers' interests and who would have the access to all information is worthy of note.

Economic Aspects of Monopoly in Co-operative Marketing Associations.

Monopoly in connection with co-operative marketing associations commonly means such a control of supply as to enable producers to fix prices. Co-operative marketing associations seem, however, to lack certain elements necessary to control of supply; they have no control over the acreage or the numbers of animals possessed by their members, and high prices tend to increase supplies; they can rarely neglect the influence of the competition of other areas or foreign countries; the commodities in which the associations control a large proportion of the supply are not usually necessities and demand falls rapidly with rising prices. In such cases it is rarely possible to obtain more than the normal price for more than one year since success checks itself. The one apparently exceptional case is that of fluid milk in certain areas where supplies are only available from controlled districts and where, therefore, monopolistic influences might have scope; but experience gives little ground for the view that producers' organisations can make gains in this way. Areas where outside supplies cannot be secured are rare, and a stiff price policy on the sale of fluid milk might either create a more difficult surplus problem or bring about such an increase in supplies as to swamp the higher prices to be obtained.

Federal Legislative Proposals.

The 1924-25 session of Congress has seen a considerable number of bills introduced which deal with co-operative marketing but none of the ideas involved has come to fruition. All embody some measure of Federal interference and control, which is resented by many sections of co-operative opinion. The Bills vary from those which are meant to give assistance of a general and advisory kind to co-operative enterprises, to those involving vital questions of principle such as the grouping of co-operatives with dealers and agencies in terminal markets.

One of the simplest proposals is to set up in the Federal Department of Agriculture a division of co-operative marketing. That division would establish standards of classification, carry out inspections and certifications; it would register co-operative marketing associations and inspect their books and accounts. Other suggestions are for federal incorporation instead of State incorporation, the grouping of middlemen and co-operative interests together in terminal marketing associations, and Government auditing. There is without doubt a movement towards some form of positive policy on the part of the Federal Government to supplement the negative approval given to co-operative marketing associations in the Capper-Volstead Act, but beyond such general services as public auditing, inspection, assistance in grading, there appears to be no generally agreed line of action and it seems doubtful how far the time is ripe for any developed policy of federal control, since many of the large scale co-operatives are still spelling out their problems letter by letter and would naturally resent any intrusion of a prematurely rigid scheme.

Starting Co-operative Marketing Associations.

The work of launching a large scale co-operative society merits careful attention. A considerable area has to be covered and a numerous body of producers have to be induced to give careful attention to the advantages of membership. Series of meetings have to be arranged at different points since most farmers will only know a small proportion of the other farmers in the organising movement. Drives and membership campaigns are organised and the speeches become a mixture of business acumen and evangelical fervour. Legal help and advice is necessary in connection with the by-laws, crop contracts, and rules of incorporation as well as to direct the canvass for members.

The actual stages are (1) the business inquiry into the possibilities of the situation. Committees of leading farmers may be selected to work out certain lines of investigation; one group may collect information regarding similar schemes in other areas, another may survey the actual situation as regards existing marketing methods and facilities, business available, capital and finance; a third may take for examination how far there is real local interest in the scheme, how far a need for such organisation is expressed.

Much help may be gained at this stage from various public and private agencies. State Divisions of Markets and the United States Department of Agriculture may supply information and, in the case of the former, may actually make a special report upon marketing conditions in the area concerned. County agricultural agents and colleges of agriculture often assist, and various farmer's organisations such as the Farm Bureau Federation may take part in the work.

(2) With a careful analysis of the position made, the next stage is the organisation campaign which has two sides—(a) the

actual preparation of by-laws, contracts, and so on, and (b) the field work consisting of the holding of meetings, canvassing and discussion of local difficulties. Much of this is skilled legal work, but on the popular side the two main difficulties are the tendency of leaders and promoters to overstate the case thus enhancing the chances of later trouble for the organisation and exciting the natural opposition of trade organisations which find their position menaced. There have been cases of unfortunate overstatement of the possible gains of co-operative marketing enterprises, and such methods may have exactly the opposite effect to that aimed at, since they tend to create general scepticism of all claims made for co-operation whether good or bad. Attacks on middlemen interests are also likely to cause similar reactions.

One matter deserves mention in this connection; it is sometimes said that promoters of large scale co-operative enterprises launch the schemes and then leave others to work out the real economic problems involved in co-operative marketing. This is not a clear view of the situation; promotion is one kind of specialised work and management is another. It is not the business of specialised promoters of such undertakings to manage them but to leave them after establishment in the hands of skilled managers. The only complaint the management can have is where the promoters have by their action prejudiced the chances of success of the association. It seems unreasonable to suppose that large co-operative undertakings any more than large business enterprises can be floated without skilled and experienced professional help. On the other hand organisers who have no proper conception of co-operative marketing associations and who use quack methods of propaganda are a serious danger to co-operatives and, in fact, to any form of business association.

CHAPTER VIII.—LARGE-SCALE CO-OPERATIVE MARKETING ASSOCIATIONS AND THEIR SIGNIFICANCE.

Large-Scale Co-operative Marketing—Recent Growth in the U.S.A.—Broad Division between the Local Type of Association and the New Federal and Central Types—The Group of Ideas especially Associated with New Form of Organisation—The Membership Contract—Commodity Organisation—Pooling—Grading and Standardisation—Orderly Marketing—Payment of Advances on Delivery and Deferred Settlements—Large-Scale Business Management—Producer Membership only—Non-stock Capital Plan—Attitude of Public Opinion.

Co-operative marketing of the large-scale federal or centralised type is a relatively recent growth in the United States of America. Its origin dates no further back than the period 1893–1905 when the citrus fruit organisations in Southern California began to build up what afterwards became the California Fruit Growers Exchange. The co-operative marketing of citrus fruit was undertaken to meet clearly expressed needs but there was at that time no consciously devised marketing plan. "The early period was one of experimentation, a cautious testing of methods and practices with, in some instances, inevitable mistakes and discontent."* Other associations shared in this searching for a new form of co-operative enterprise which would be capable of undertaking marketing responsibilities up to the central and terminal market stages, but it does not appear that any clearly-cut group of ideas found recognition as the foundation of a new type of marketing undertaking until 1912, when the rise of what is now known as the Sun Maid Raisin Growers Association focussed attention upon certain characteristic features of the new co-operative type.

Since that time a broad division has become obvious in the movement. On the one hand, there are the local associations, such as elevators and creameries, with their relatively small individual membership and turnover and their local outlook upon marketing problems, and, on the other, the large-scale co-operative of either the federal type, like the California Fruit Growers Exchange, or the central type, like the Raisin Growers Association, covering extensive regions with big membership, large turnover, and an elaborate marketing organisation. These organisations maintain both national and international sales connections and face all responsibilities of central and terminal marketing.

The federal forms such as the Minnesota Co-operative Creameries Association are, of course based upon local organi-

* See U.S.D.A. Bulletin 1237, p. 4.

sation but the centralised enterprises such as the Sun Maid Raisin Growers undertaking or the Twin City Milk Producers of Minneapolis and St. Paul deal directly with producers.

Large-scale co-operative marketing as a movement has gathered momentum chiefly since 1919, and while the exact proportion of total sale of co-operative marketing associations which is to be attributed to this type is not easily calculable, it appears that at least 50 per cent. of the 2,200 million dollars turnover of 1923-24 is to be ascribed to their operation, that is to say, their turnover is probably not less than £200,000,000:

The group of ideas especially associated with the new forms of organisation includes :

(1) The membership contract and the membership service.

(2) Concentration upon the marketing of one commodity or a group of products closely allied in production and sales organisation.

(3) Pooling of products according to grade, size, and other characteristics.

(4) Standardisation of quality and differentiation in prices between high- and low-grade output.

(5) Management by the methods of large-scale business and the employment of trained specialists.

(6) Development of plans of orderly marketing and feeding the market to diminish speculative risk.

(7) Acceptance of responsibility for the management of surplus and by-products on behalf of the producers.

(8) Payment of members by means of advances on delivery and deferred settlements.

(9) Membership open to producers only. The association managed on a semi-public basis, often with a public director.

(10) Capital often raised on non-stock plan of membership fees and deductions from the price of the product.

(11) Producers control up to the wholesale stage in marketing.

(12) Selling methods of large-scale industry such as advertisement of trade brands.

It is clear that co-operative marketing in the United States of America, is an important movement, viewed both from the value of the products which it handles and from the contributions to marketing problems which it is endeavouring to make. Although its rapid expansion is of recent date, it is accepted by responsible farming opinion as having passed the stage of experiment and reached the realm of achievement.

Co-operative marketing enterprise has in addition found widespread support in public opinion; the Commission of Agricultural Enquiry (1922), stated its belief " that the rational development

of farmers' co-operative associations will tend to hasten the standardisation of agricultural production, improve the distributive processes and reduce their costs, and that the organisation of such associations should be encouraged." (Vol. IV, p. 231.)

The official spokesmen of the Federal Government have supported the movement openly, and to use the American phraseology the idea of commodity marketing has been sold to the farming community. All this is in significant contrast to the British position.

A universal characteristic of all large-scale co-operatives is the membership contract. The significance and contents of such contracts have already been described (Ch. IV) and no attempt would now be made in the U.S.A. to float a large-scale co-operative without the use of such contracts. Binding agreements of this kind strengthen associations from the business side and by their psychological effect. It is no doubt true that no body of producers is likely to continue a permanent contractual relationship unless they are convinced that they are receiving satisfactory service, but it is practically impossible to render satisfactory service without the membership contract as a basis. The membership contract is not the final word in co-operative relationship between members and associations; this must be made businesslike and educational as well, but the contract does represent an essential link in sound business effort.

Grading, standardisation and recognition of quality are essential features in the practice of large-scale co-operatives; they are inseparably connected with the system of quality or grade pools, whereby the identity of the individual farmers' produce is merged into a series of pools of products of similar grade and quality belonging to other producers and sold during fixed periods so that the price received by the grower is based upon the average price received during the period. Without pooling, large-scale organisation would be unworkable. Any system of separate sales of the output of each producer would destroy the system of grading, make impossible the feeding of the market and the control of the supply of the commodity, besides creating a hopeless office and accounts problem.

The price policy of the large-scale co-operatives towards their own members is practically uniform; it consists in making advances immediately after delivery up to 50 or 60 per cent. of estimated market value, and paying the remainder by instalments as the commodity is sold. This method of advance payments and deferred settlements has definite advantages as regards the financial stability of the organisation and constitutes an essential difference between a co-operative association and an ordinary trading business which buys outright taking the risk of profit or loss on sale on its own shoulders.

A special feature of the large-scale co-operative organisation is the conception of orderly marketing or feeding the market, which involves the regulation of the time of movement of goods

to the markets and of their distribution and sale. Continual care and attention are necessary to produce the best distribution under the circumstances and the basis of a policy of orderly marketing is, therefore, a management thoroughly in touch both with conditions of production and conditions of sale and consumption. Where a large proportion of the supply is under one control it is open to the association to make its own forecast of the price which will sell the whole crop or alternatively it may feed the market by placing at its disposal a certain supply each month, or it may combine both methods. It is obvious that work of this kind is essentially speculative and that co-operative marketing associations, in so far as they cannot shift the risks on to organised markets, such as the Chicago Grain Exchange, must bear the risks of errors of judgment in forecasting supply and demand just as much as does the present middleman system. The real question is whether the large-scale co-operative can form a just judgment more efficiently than is done under present conditions.

Viewed generally, it appears that many of the leading features of these associations are designed to meet the same difficulties as are at present facing the co-operative marketing movement in England and Wales. Among these are the difficulty of obtaining the guaranteed volume of business, to remedy which the membership contract has come into use;² the price policy of advance payments on crop delivery with deferred settlements later, which is meant to secure financial stability;³ and the grade pooling system which has been developed to meet the need for quality and standardisation in produce. Finally, the large-scale co-operatives represent the American solution of the problems involved in⁴ taking over wholesaling functions and the American conception of the organisation necessary to meet such requirements. In this connection it should be noted that while many of these co-operatives serve distant markets, success has not been confined to export areas but has been notable in milk associations, cotton associations and others serving near-by markets. Transport over distances is not in fact the main service rendered by U.S.A. co-operatives to their members; but rather the provision of such marketing services as grading and advertising which are necessary for successful sale either in near or distant markets. While the absence of local markets may facilitate the development of co-operative effort among producers, it is a mistake to suppose that those near to large consuming centres can omit to render such services as grading produce without ultimately suffering for this neglect through the pressure of competition.

Large-scale co-operative marketing is a new invention in producers' organisation in agriculture. It brings the notions and outlook of big business into the marketing of farm products. It is for the British farmer to consider whether and in what way its salient features can be applied to British conditions.

The Tables which follow are based upon material provided by the United States Department of Agriculture, particularly that contained in Department Bulletin No. 1302, December, 1924.

TABLE 1.—Estimated Membership and Estimated Amount of Business for each Group of Associations in 1915.

Kind of associations.	Number of associations.	Per cent. of total.	Estimated number of members.	Estimated amount of business.	Business per member.	Business per association.	Members per association.
Dairy products -	1,708	31.5	140,567	\$ 89,061,370	\$ 634	\$ 52,144	82
Grain -	1,637	30.2	166,726	289,689,218	1,738	176,963	102
Fruits and vegetables	871	16.0	109,916	201,542,646	1,834	231,389	126
Merchandise (farmers' stores) -	275	5.1	59,503	11,677,355	196	42,463	216
Cotton and cotton products -	213	3.9	18,404	1,502,007	82	7,052	86
Livestock -	96	1.8	13,438	5,623,800	419	58,581	140
Tobacco -	43	0.8	17,849	6,450,000	361	150,000	415
All others -	581	10.7	124,681	30,292,288	243	52,138	215
Total -	5,424	100.0	651,084	635,838,684	977	117,227	120

TABLE 2.—Membership and Amount of Business by Geographical Divisions in 1915.

Geographic division.	Number of associations.	Per cent. of total.	Estimated number of members.	Estimated amount of business.	Business per member.	Business per association.	Members per association.
West North Central -	2,577	47.5	254,425	\$ 286,534,775	\$ 1,126	\$ 111,189	99
East North Central -	973	17.9	107,331	90,113,770	840	92,614	110
Pacific -	416	7.7	65,950	150,510,979	2,282	361,828	159
South Atlantic -	329	6.1	37,097	10,269,102	277	31,213	113
West South Central -	315	5.8	30,793	7,683,734	250	24,393	98
Mountain -	232	4.3	34,731	20,485,811	590	88,301	150
East South Central -	215	3.9	35,834	7,170,323	200	33,350	167
Middle Atlantic -	210	3.9	63,971	56,096,060	877	267,124	305
New England -	157	2.9	20,952	6,974,130	333	44,421	134
United States -	5,424	100.0	651,084	635,838,684	977	117,227	120

TABLE 3.—Membership and Amount of Business by Commodity Groups in 1923-24.

Kind of association.	Number reporting 1924.	Estimated number of members, April, 1924.	Estimated business, 1923.		Business per association.	Members per association.
			Business per member.	Business per association.		
Cotton - - -	107	250,000	\$ 100,000	\$ 400	934,579	2,337
Dairy products - - -	1,966	200,000	400,000	2,000	203,459	102
Fruits and vegetables - - -	1,232	200,000	300,000	1,500	243,506	162
Grain - - -	3,134	400,000	600,000	1,500	191,449	128
Livestock - - -	1,598	250,000	250,000	1,000	156,446	157
Nuts - - -	51	50,000	50,000	1,000	980,392	980
Poultry and poultry products - - -	56	15,000	50,000	3,333	892,857	268
Tobacco - - -	25	290,000	150,000	517	6,000,000	11,600
Wool - - -	115	50,000	20,000	400	173,913	435
Miscellaneous selling - - -	729	70,000	180,000	2,286	219,478	96
Merchandise (farmers' stores) - - -	717	150,000	50,000	333	69,735	209
Collective buying - - -	430	100,000	70,000	700	162,791	238
Total - - -	10,160	2,025,000	2,200,000*	1,086	216,535	199

* Not including \$200,000,000 of business by co-operative selling agencies in 19 livestock terminal markets.

TABLE 4.—Membership and Amount of Business by Geographical Divisions in 1923-24.

Geographic division.	Associations.		Estimated business, 1923.		Business per association.
	No.	Per cent.	Amount.	Per cent.	
West North Central -	4,579	45.1	\$ 635,800,000	28.9	\$ 138,851
East North Central -	2,620	25.8	238,800,000	15.4	129,313
Pacific - - -	634	6.2	413,600,000	18.8	652,265
Middle Atlantic - - -	531	5.2	275,000,000	12.5	517,890
West South Central -	482	4.9	92,400,000	4.2	187,805
Mountain - - -	387	3.8	41,800,000	1.9	108,010
South Atlantic - - -	363	3.6	145,200,000	6.6	400,000
East South Central -	298	2.9	189,200,000	8.6	634,899
New England - - -	256	2.5	68,200,000	3.1	266,406
United States - - -	10,160	100.0	2,200,000,000	100.0	216,535

TABLE 5.—Number of Associations, Membership, Amount of Business, by Commodity Groups, in Percentages for 1915 and 1924.

Kind of association.	Number of associations.		Estimated number of members.		Estimated amount of business.	
	1915.	1924.	1915.	1924.	1915.	1923.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Grain - - -	30.2	30.8	25.6	19.8	45.6	27.3
Dairy products - -	31.5	19.4	21.6	9.9	14.0	18.2
Fruits and vegetables -	16.0	12.1	16.9	9.9	31.7	13.6
Livestock - - -	1.8	15.7	2.1	12.3	0.9	11.4
Cotton - - -	3.9	1.1	2.8	12.3	0.2	4.5
Tobacco - - -	0.8	0.2	2.7	14.3	1.0	6.8
Merchandise (farmers' stores) - - -	5.1	7.1	9.1	7.4	1.8	2.3
All others - - -	10.7	13.6	19.2	14.1	4.8	15.9
Total - - -	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 6.—Number of Associations, Membership, and Amount of Business by Geographical Divisions, in Percentages for 1915 and 1923-24.

Geographic division.	Number of associations.		Estimated number of members.	Estimated amount of business.	
	1915.	1924.	1915.	1915.	1923.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
West North Central -	47.5	45.1	39.1	45.1	28.9
East North Central -	17.9	25.8	16.5	14.2	15.4
Pacific - - -	7.7	6.2	10.1	23.7	18.8
Middle Atlantic - -	3.9	5.2	9.8	8.8	12.5
West South Central -	5.8	4.9	4.7	1.2	4.2
Mountain - - -	4.3	3.8	5.4	3.2	1.9
South Atlantic - -	6.1	3.6	5.7	1.6	6.6
East South Central -	3.9	2.9	5.5	1.1	8.6
New England - - -	2.9	2.5	3.2	1.1	3.1
United States - - -	100.0	100.0	100.0	100.0	100.0

TABLE 7.—Sales through Farmers' Marketing Associations in 1919.

Division and State	Total number of farms.	Sales through marketing Organisations.			
		Farms reporting.		Amount.	
		Number.	Per cent. of all farms.	Total.	Average per farm.
United States -	6,448,343	511,383	7.9	\$ 721,983,639	\$ 1,412
New England -	156,564	4,060	2.6	5,916,681	1,457
Middle Atlantic -	425,147	33,854	8.0	61,224,128	1,808
East North Central -	1,084,744	144,339	13.3	132,630,450	919
West North Central -	1,096,951	243,288	22.2	300,820,976	1,236
South Atlantic -	1,158,976	9,517	0.8	20,639,686	2,169
East South Central -	1,051,600	12,705	1.2	5,271,001	415
West South Central -	996,088	15,635	1.6	26,934,455	1,723
Mountain -	244,109	12,785	5.2	17,443,431	1,364
Pacific -	234,164	35,200	15.0	151,093,831	4,292

TABLE 8.—Distribution of Associations, by Membership Groups, March, 1924.

Membership groups.	Grain.		Fruit and Vegetable.		Livestock.		Creameries.		Cheese factories.	
	No.	Per cent.	No.	Per cent.	No.	Per cent.	No.	Per cent.	No.	Per cent.
25 or fewer -	104	4.0	170	25.6	21	3.5	45	3.6	149	42.9
50 or fewer -	368	14.3	306	46.0	98	16.3	213	17.0	297	85.6
51 to 100 -	962	37.4	137	20.6	164	27.2	433	34.4	33	9.5
101 to 150 -	575	22.3	92	13.8	116	19.2	243	19.3	9	2.6
151 to 200 -	301	11.7	38	5.7	88	14.6	143	11.4	1	0.3
201 to 250 -	160	6.2	18	2.7	50	8.3	73	5.8	3	0.9
251 to 300 -	85	3.3	19	2.9	35	5.8	39	3.1	0	—
301 to 350 -	44	1.7	8	1.2	12	2.0	30	2.4	0	—
351 to 400 -	29	1.1	6	0.9	14	2.3	23	1.8	1	0.3
401 to 450 -	11	0.4	5	0.8	3	0.5	7	0.6	0	—
451 to 500 -	7	0.3	8	1.2	6	1.0	11	0.9	0	—
Over 500 -	34	1.3	28	4.2	17	2.8	42	3.3	3	0.8
Total -	2,576	100.0	665	100.0	603	100.0	1,257	100.0	347	100.0

TABLE 9.—Associations Grouped according to Amount of Business Transacted.

Group.	Grain.		Fruit and vegetables.		Live-stock.		Creameries.		Cheese factories.	
	No. of associations.	Per cent.	No. of associations.	Per cent.	No. of associations.	Per cent.	No. of associations.	Per cent.	No. of associations.	Per cent.
\$										
20,000 and under	57	3.1	149	25.5	55	13.5	65	5.7	109	33.2
21,000 to 40,000	96	5.2	71	12.1	65	15.9	151	13.3	120	36.6
41,000 to 60,000	132	7.1	50	8.6	55	13.5	190	16.7	56	17.1
61,000 to 80,000	180	9.7	39	6.7	44	10.8	185	16.2	21	6.4
81,000 to 100,000	249	13.4	37	6.3	39	9.6	142	12.5	9	2.8
101,000 to 120,000	129	6.9	18	3.1	33	8.1	89	7.8	1	.3
121,000 to 140,000	119	6.4	24	4.1	25	6.1	71	6.2	4	1.2
141,000 to 160,000	156	8.4	25	4.3	21	5.1	53	4.7	1	.3
161,000 to 180,000	103	5.5	11	1.9	10	2.4	40	3.5	—	—
181,000 to 200,000	165	8.9	10	1.7	5	1.2	34	3.0	2	.6
201,000 to 300,000	268	14.4	48	8.2	37	9.1	61	5.4	5	1.5
301,000 to 400,000	108	5.8	20	3.4	7	1.7	27	2.4	—	—
401,000 to 500,000	49	2.6	27	4.6	6	1.5	13	1.1	—	—
501,000 to 1,000,000	40	2.1	30	5.1	6	1.5	13	1.1	—	—
Over 1,000,000	10	.5	26	4.4	—	—	5	.4	—	—
Total	1,861	100.0	585	100.0	408	100.0	1,139	100.0	328	100.0

TABLE 10.—Active Associations reporting Date of Organisation, 1863-1923.

Year.	Grain associations.	Fruit and vegetable associations.	Creameries.	Cheese factories.	Live-stock associations.	Total.
1863	—	—	—	1	—	1
1870	—	—	—	1	—	1
1873	—	—	—	3	—	3
1878	—	1	—	—	—	1
1879	—	—	1	—	—	1
1880	—	—	1	—	—	1
1881	—	—	—	—	—	—
1882	—	—	—	2	—	2
1883	—	—	4	1	—	5
1884	—	—	1	1	—	2
1885	—	—	3	—	—	3
1886	—	1	2	—	—	3
1887	2	—	5	1	—	8
1888	3	—	9	2	—	14
1889	3	—	12	2	—	17
1890	2	1	15	1	1	20
1891	3	1	17	1	—	22
1892	6	1	21	1	—	29

Year.	Grain associations.	Fruit and vegetable associations..	Crea-meries.	Cheese factories.	Live-stock associations.	Total.
1893	4	7	18	—	—	29
1894	3	1	31	—	—	35
1895	4	3	24	3	—	34
1896	5	2	38	2	—	47
1897	5	5	33	1	1	45
1898	5	4	38	3	—	50
1899	7	3	18	3	—	31
1900	11	5	33	6	—	55
1901	7	9	27	5	1	49
1902	26	5	26	2	1	60
1903	42	2	27	1	—	72
1904	55	1	29	3	—	88
1905	73	7	22	5	1	113
1906	72	8	34	5	3	122
1907	76	5	27	4	2	114
1908	93	14	31	8	1	147
1909	93	18	39	3	2	155
1910	73	15	38	8	8	142
1911	86	12	45	9	13	165
1912	127	15	56	19	14	231
1913	100	23	43	14	12	192
1914	145	28	55	26	30	284
1915	198	26	50	22	48	344
1916	216	33	59	21	49	378
1917	198	14	44	43	46	345
1918	229	33	34	38	61	395
1919	383	42	42	40	111	618
1920	314	84	41	37	109	585
1921	117	103	48	13	142	423
1922	56	73	25	9	90	253
1923	23	11	11	4	28	77

TABLE 11.—Number of Associations reporting Reasons for Ceasing to Operate, 1900-23.

Reason given.	Number of times.
Inefficient management	558
Lack of interest	556
Insufficient business	326
Insufficient working capital	282
Insufficient membership	222
Too liberal credit	187
Inadequate accounting system	114
Lack of proper audit	103
Dishonest management	100
Capital stock falling into hands of too few	32
Property damaged by fire	12

TABLE 12.—Associations which Ceased to Operate, by Amount of Business for Last Year Active, 1900-23.

Amount of business.	Number of associations.	Reporting.	Cumulative.
		Per cent.	Per cent.
\$			
Less than 25,000 - - -	292	48.0	48.0
25,000 to 49,000 - - -	103	17.0	65.0
50,000 to 99,000 - - -	87	14.3	79.3
100,000 to 199,000 - - -	74	12.2	91.5
200,000 to 299,000 - - -	31	5.1	96.6
300,000 to 399,000 - - -	6	1.0	97.6
400,000 to 499,000 - - -	2	0.3	97.9
500,000 and over - - -	13	2.1	100.0
Total - - -	608	100.0	—

TABLE 13.—Number of Years Active for Associations which Ceased to Operate, 1900-23.

Years in business.	Number of associations.	Reporting.	Cumulative.
		Per cent.	Per cent.
Less than 1 - - - - -	73	7.9	7.9
1 to 2 - - - - -	126	13.6	21.5
2 to 3 - - - - -	145	15.6	37.1
3 to 4 - - - - -	116	12.5	49.6
4 to 5 - - - - -	93	10.0	59.6
5 to 6 - - - - -	81	8.7	68.3
6 to 7 - - - - -	41	4.4	72.7
7 to 8 - - - - -	38	4.1	76.8
8 to 9 - - - - -	30	3.2	80.0
9 to 10 - - - - -	21	2.3	82.3
10 to 11 - - - - -	37	4.0	86.3
11 to 14 - - - - -	52	5.6	91.9
15 to 19 - - - - -	35	3.8	95.7
20 to 24 - - - - -	24	2.6	98.3
25 to 29 - - - - -	8	0.9	99.2
30 and over - - - - -	7	0.8	100.0
Total - - - - -	927	100.0	—

TABLE 14.—Associations which Ceased to Operate, by Years, 1900-23.

Year.	Number.	Year.	Number.
1900	2	Bt. fwd.	87
1901	—	1913	56
1902	3	1914	59
1903	1	1915	71
1904	—	1916	63
1905	—	1917	39
1906	2	1918	63
1907	2	1919	65
1908	7	1920	110
1909	7	1921	153
1910	15	1922	132
1911	17	1923	72
1912	31		
Cd. fwd.	87	Total	970

TABLE 15.—Associations which Ceased to Operate, by Kinds, 1900-23.

Type of Association.	Number of associations.
Selling :	
Grain	171
Dairy products	203
Livestock	45
Fruits and vegetables	116
Wool and mohair	8
Cotton and cotton products	19
Nuts	0
Poultry and poultry products	5
Forage crops	4
Tobacco	0
Miscellaneous selling	67
Buying :	
Merchandise (farmers' stores)	78
Miscellaneous buying	54
Total	770

TABLE 16.—Grain Marketing Associations, Estimated Membership and Amount of Business, February, 1924.

Geographic division.	Number of associations.	Per cent.	Estimated membership.	Per cent.	Estimated amount of business.	Per cent.	Business per member.	Business per association.	Members per association.
West North Central	1,953	62.3	255,843	57.8	\$ 359,074,674	60.8	\$ 1,404	\$ 183,858	131
East North Central	852	27.2	122,688	27.7	146,845,608	24.9	1,197	172,353	144
Mountain	135	4.3	16,605	3.8	22,572,675	3.8	1,359	167,205	123
West South Central	113	3.6	30,397	6.9	24,189,345	4.1	796	214,066	269
Pacific	65	2.1	14,105	3.2	34,945,820	5.9	2,478	537,628	217
Middle Atlantic	7	.2	1,351	.3	1,946,000	.3	1,440	278,000	193
South Atlantic	5	.2	1,525	.3	1,000,000	.2	656	200,000	305
New England	3	.1	204	.0	159,750	.0	783	53,250	68
East South Central	1	.0	65	.0	10,000	.0	154	10,000	65
United States	3,134	100.0	442,783	100.0	590,743,872	100.0	1,334	188,495	141

TABLE 17.—Quantity of Grain of the 1922 Crop Handled by 1,882 Associations, by Leading States.

State.	Number of associations reporting.	Wheat.	Other grains.	Total.	Average per association.
		Bushels.	Bushels.	Bushels.	Bushels.
Oregon	7	3,771,000	60,000	3,831,000	547,285
California	9	2,130,000	2,149,000	4,279,000	475,444
Montana	39	10,810,000	703,000	11,513,000	295,205
Washington	28	7,181,000	225,000	7,406,000	264,500
Illinois	276	11,075,000	53,923,000	64,998,000	235,500
Iowa	189	1,462,000	42,899,000	44,361,000	234,714
Missouri	89	11,149,000	3,471,000	14,620,000	164,270
North Dakota	224	24,252,000	12,067,000	36,319,000	162,138
Oklahoma	58	7,593,000	1,445,000	9,038,000	155,828
Minnesota	177	5,095,000	22,025,000	27,120,000	153,220
South Dakota	122	6,674,000	11,618,000	18,290,000	149,934
Nebraska	181	10,802,000	15,047,000	25,849,000	142,812
Kansas	173	21,233,000	3,415,000	24,648,000	142,474
Indiana	73	1,562,000	6,394,000	7,956,000	108,986
Ohio	127	3,979,000	5,590,000	9,569,000	75,346
All others	110	5,296,000	4,294,000	9,590,000	—
United States -	1,882	134,064,000	185,325,000	319,389,000	169,707

TABLE 18.—Dairy Marketing Associations, March, 1924.

State.	Number.	Per cent.
Minnesota	548	27.9
Wisconsin	538	27.4
Iowa	228	11.6
Michigan	89	4.5
New York	78	4.0
Pennsylvania	59	3.0
Vermont	42	2.1
Oregon	42	2.1
Ohio	41	2.1
South Dakota	28	1.4
All others	273	13.9
United States	1,966	100.0

TABLE 19.—Creameries, Estimated Membership, and Amount of Business, by Leading States.

States.	Associations reporting.		Estimated membership.		Estimated amount of business, 1922.		Business per member.	Business per association.	Members per association.
	Number reporting.	Per cent. of total.	Number.	Per cent.	Amount.	Per cent.			
Minnesota	510	40.1	67,371	33.4	\$ 45,466,500	31.7	675	\$ 891,482	132
Iowa	216	17.0	31,492	15.6	21,163,464	14.8	672	97,979	146
Wisconsin	212	16.7	30,803	15.2	30,356,492	21.2	985	143,191	145
Michigan	65	5.1	15,294	7.6	7,069,630	4.9	462	108,762	235
Vermont	35	2.7	3,643	1.8	4,723,810	3.3	1,297	134,966	104

TABLE 20.—Creameries, Estimated Membership, and Amount of Business, by Geographic Divisions.

Geographic division.	Associations reporting.		Estimated membership.		Estimated amount of business, 1922.		Business per member.	Business per association.	Members per association.
	Number reporting.	Per cent. of total.	Number.	Per cent.	Amount.	Per cent.			
West North Central	778	61.1	122,146	60.5	\$ 72,518,936	50.6	\$ 594	\$ 93,212	157
East North Central	299	23.5	48,139	23.8	39,474,578	27.5	820	131,978	161
Middle Atlantic	56	4.4	4,138	2.1	4,658,820	3.3	1,126	83,195	74
New England	52	4.1	4,742	2.4	5,868,876	4.1	1,418	112,863	91
Pacific	38	3.0	11,457	5.7	14,799,784	10.3	1,292	389,468	302
Mountain	21	1.6	6,102	3.0	3,204,348	2.2	525	152,588	291
East South Central	19	1.5	4,104	2.0	2,136,930	1.5	521	112,470	216
South Atlantic	8	.6	1,006	.5	543,000	.4	540	67,876	126
West South Central	2	.2	68	.0	147,000	.1	2,162	73,500	34
United States	1,273	100.0	201,902	100.0	143,352,372	100.0	710	112,610	159

TABLE 21.—Co-operative Cheese Factories, 1923-1924

Geographic unit.	No. of associations.	Estimated membership.	Per cent.	Estimated amount of business.	Per cent.
United States	413	16,460	100.0	\$1,000's 16,698	100.0
Wisconsin	285	10,260	62.3	11,685	70.0
New York	33	1,221	7.4	825	4.9
Washington	3	1,092	6.6	—	—
Oregon	33	825	5.0	2,376	14.2
Minnesota	21	735	4.5	756	4.5
Michigan	10	700	4.2	360	2.2
All others	28	1,627	10.0	696	4.2

TABLE 22.—Fruit and Vegetable Associations, by Geographic Division, 1923.

Geographic division.	Total number of associations reporting.	Estimated membership.	Per cent.	Members per association.
Pacific	322	71,382	39.0	222
South Atlantic	134	25,509	13.9	190
West North Central	153	19,987	10.9	131
East North Central	119	14,471	7.9	122
West South Central	180	14,178	7.8	79
Mountain	84	12,595	6.9	150
East South Central	89	11,672	6.4	131
Middle Atlantic	109	10,386	5.7	95
New England	42	2,750	1.5	66
United States	1,232	182,930	100.0	149

TABLE 23.—Livestock Marketing Associations Reporting Amount of Business, by Leading States, 1923.

State.	Number of associations reporting.	Number reporting amount of business, 1922.	Amount of business, 1922.	Average amount of business per association.
			\$1,000's.	\$1,000's.
Iowa	334	98	14,931	152
Minnesota	300	117	10,249	88
Illinois	154	34	3,756	110
Wisconsin	144	43	4,855	113
Missouri	107	11	705	64
Indiana	95	12	1,030	86
South Dakota	93	25	1,251	50
Michigan	82	23	1,998	87
Ohio	74	16	3,538	221
All others	215	32	3,938	123
Total	1,598	411	46,251	113

TABLE 24.—Terminal Livestock Selling Agencies, by Cities, 1924.

Market.	Number of agencies.	Number of cars handled, 1923.	Number of animals, 1923.	Total sales, 1923.
				\$
Chicago	2	22,190	1,473,886	31,441,346
East St. Louis	2	24,205	1,891,989	30,930,854
South St. Paul	3	23,988	1,616,346	29,168,446
Indianapolis	1	12,822	909,032	15,748,151
St. Joseph, Mo.	1	12,529	849,666	15,410,814
Kansas City	3	13,241	266,438	16,232,835
Omaha	1	10,177	624,333	13,251,897
Buffalo	1	5,078	562,511	11,027,480
Sioux City	1	6,015	365,167	7,616,640
Detroit	1	4,654	376,356	7,000,000
Fort Worth	1	4,082	181,228	4,046,231
Cleveland	1	2,650	252,476	3,842,718
Peoria	1	2,116	144,250	2,524,786
Milwaukee	1	2,264	155,529	2,131,187
Denver	1	1,537	115,328	1,686,919
Pittsburgh	1	675	68,111	1,024,962
Sioux Falls	1	520	35,405	591,833
Evansville, In.	1	443	32,275	351,080
Oklahoma City	1	406	19,206	266,988
Lexington, Ky.	1	—	—	—
Total	26	149,592	9,939,512	194,294,967

TABLE 25.—State and Regional Cotton Marketing Associations, June, 1924.

Association.	Year formed.	Members, 1924.	Bales handled, 1923-24 crop.	Estimated value, 1922-23 cotton crop handled.
Alabama Farm Bureau Cotton Assoc., Montgomery, Ala.	1922	21,853	65,314	\$ 8,200,000
Arizona Pimacotton Growers', Phoenix, Ariz.	1921	1,285	7,950	1,800,000
Arkansas Cotton Growers' Co-operative Assoc., Little Rock, Ark.	1922	12,077	37,812	8,600,000
Arkansas Farmers Union Cotton Growers' Assoc., Little Rock, Ark.	1921	4,000	3,340	500,000
Georgia Cotton Growers' Co-operative Assoc., Atlanta, Ga.	1922	38,500	70,812	7,500,000
Louisiana Farm Bureau Cotton Growers' Co-op. Assoc., Shreveport, La.	1923	5,501	29,885	—
Staple Cotton Co-op. Assoc., Greenwood, Miss.	1921	2,588	107,435	24,100,000
Mississippi Farm Bureau Cotton Assoc., Jackson, Miss.	1923	19,434	33,758	—
Missouri Cotton Growers' Co-op. Assoc., New Madrid, Mo.	1923	574	3,674	—
North Carolina Cotton Growers' Co-op. Assoc., Raleigh, N.C.	1922	35,000	130,853	18,000,000
Oklahoma Cotton Growers' Assoc., Oklahoma City, Okla.	1921	53,233	118,694	8,600,000
South Carolina Cotton Growers' Co-op. Assoc., Columbia, S.C.	1922	13,842	121,123	16,000,000
Tennessee Cotton Growers' Assoc., Memphis, Tenn.	1923	6,600	15,144	—
Texas Farm Bureau Cotton Assoc., Dallas, Tex.	1921	37,328	182,321	11,300,000
Total	—	251,815	928,115	104,600,000

TABLE 26.—Tobacco Marketing Associations, June, 1924.

Association.	Year organized.	Number of members.	Tobacco handled, 1923-24.	Tobacco handled per member.
Burley Tobacco Growers' Co-op. Assoc., Lexington, Ky.	1921	102,300	lb. 244,500,000	lb. 2,390
Dark Tobacco Growers Co-op. Assoc., Hopkinsville, Ky.	1922	70,200	173,571,342	2,473
Tobacco Growers Co-op. Assoc., Raleigh, N.C.	1922	95,000	180,000,000	1,895
Northern Wisconsin Co-op. Tobacco Pool (Inc.), Madison, Wis.	1922	7,635	25,000,000	3,274
Connecticut Valley Tobacco Assoc., Hartford, Conn.	1922	3,604	24,142,145	6,421
Maryland Tobacco Growers' Assoc., Baltimore, M.D.	1920	4,862	14,700,675	3,024
Miami Valley Tobacco Growers' Assoc., Dayton, Ohio	1923	4,901	25,000,000	5,101
Total	—	288,502	686,914,162	2,381

**TABLE 27.—Growers' Associations Handling Wool,
1922 and 1923.**

Name.	Year formed.	Number of members, 1923.	Pounds of wool, 1923.	Amount of business, 1923.	Amount of wool per member.	Business per member.
				\$	lb.	\$
Illinois Agricultural Assoc. (Wool Pool)	1919	766	198,000	81,180	259	106
Indiana Farm Bureau Federation (Wool Pool)	1921	2,000	398,000	168,433	199	84
Iowa Fleece Wool Growers' Assoc. -	1919	12,125	800,000	311,250	66	26
Kansas Sheep and Wool Growers' Co-op. Assoc.	1921	1,180	72,567	27,700	62	24
Maine Sheep and Wool Growers' Assoc. -	1920	576	59,961	29,980	104	52
Michigan Wool Growers' Co-op. Marketing Assoc.	1924	—	420,000	190,000	—	—
New York State Sheep Growers' Assoc. (Inc.)	1919	(49 assns).	475,000	216,000	—	—
North Dakota Federation of Wool Growers' Assoc.	1920	700	415,000	180,000	593	257
Ohio Wool Growers' Co-op. Assoc.	1918	—	3,743,962	1,933,207	—	—
Pacific Co-op. Wool Growers' Assoc. -	1921	2,600	2,000,000	900,000	769	346
South Dakota Sheep and Wool Growers' Assoc.	1920	996	1,520,000	750,000	1,526	753
Tennessee Wool Sales (conducted annually under direction of specialists of State College of Agriculture) 32 sales 1923	1919	1,536	248,308	118,932	157	75
South-western Farm Bureau Wool and Mohair Assoc.	1921	600	225,000	95,000	375	158
Utah Wool Marketing Co.	1917	25	—	250,000	—	10,000
Virginia Co-op. Sheep and Wool Growers' Assoc.	1921	1,200	210,000	107,000	175	89
Campbell County Wool Growers' Assoc. -	1921	62	325,000	146,250	5,242	2,359
Northern California Wool Warehouse Co. -	1921	28	1,063,038	—	37,966	—
National Wool Warehouse and Storage Co.	1909	600	14,108,192	6,719,266	23,514	11,199
Total -	—	—	26,282,028	12,224,198	—	—

**TABLE 28.—California Fruit Growers' Exchange,
Los Angeles, Calif., 1913-1923.**

Year.	Cars shipped.	Per cent. of total shipments from State.	F.o.b. value.	Boxes shipped.		
				Oranges and grape fruit.	Lemons.	Total.
			\$			
1913 -	12,443	61.5	13,500,000	—	—	4,940,068
1914 -	28,186	61.9	19,246,757	—	—	11,264,185
1915 -	29,805	62.5	19,537,850	9,648,283	2,241,553	11,889,836
1916 -	29,823	67.0	27,703,000	9,694,288	2,407,232	12,101,520
1917 -	36,218	69.0	33,611,000	12,835,804	2,656,536	15,492,340
1918 -	19,248	76.0	36,422,200	6,452,896	2,191,281	8,644,177
1919 -	33,174	72.3	55,000,000	11,126,985	3,728,110	14,855,095
1920 -	34,461	73.7	59,221,329	12,371,230	3,452,534	15,823,764
1921 -	43,592	72.5	61,080,003	15,390,105	4,175,239	19,565,344
1922 -	27,138	68.7	48,647,800	8,121,080	3,496,223	11,617,303
1923 -	45,258	75.8	55,223,450	14,645,070	3,212,347	17,857,417

**TABLE 29.—Sun Maid Raisin Growers, Fresno, Calif.,
1912-1922.**

Year.	Tons handled.	Gross sales.	Received by growers.	Per cent. of gross sales to growers.	Price per pound to growers.	Advertising expenditures.
		\$	\$		Cents	\$
1912 -	24,512	2,106,450	1,499,470	71.2	3,059	—
1913 -	59,228	6,187,117	4,275,743	69.1	3,609	—
1914 -	73,635	8,414,660	5,244,725	62.3	3,561	120,803
1915 -	98,405	11,969,494	7,370,808	61.6	3,846	240,035
1916 -	107,039	13,595,227	10,252,597	75.4	4,793	219,592
1917 -	127,212	16,685,244	13,992,787	83.9	5,499	287,000
1918 -	149,713	23,200,184	15,530,045	66.9	5,520	291,756
1919 -	159,262	43,280,254	36,345,138	84.0	11,410	374,147
1920 -	152,497	44,293,287	38,416,827	86.7	12,695	1,261,342
1921 -	123,665	38,634,053	25,395,730	65.7	7,280	2,139,567
1922 -	204,630	30,830,087	13,151,954	42.7	3,214	2,399,704

**TABLE 30.—Wisconsin Cheese Producers' Federation,
Plymouth, Wis., 1914-1923.**

Year.	Number of factories.	Cheese handled.	Value of cheese handled.	Average price per pound to factories.
		lb.	\$	Cents
1914 - -	45	6,125,480	875,941	13.96
1915 - -	43	7,558,796	1,144,146	14.70
1916 - -	45	7,490,020	1,332,497	17.13
1917 - -	56	8,981,308	2,193,515	23.53
1918 - -	63	8,522,509	2,327,756	26.24
1919 - -	120	14,098,021	4,341,057	30.10
1920 - -	125	13,982,817	3,736,234	25.71
1921 - -	140	15,564,414	2,968,768	18.02
1922 - -	175	18,873,496	4,025,408	19.23
1923 - -	—	24,602,795	5,959,416	22.62

**TABLE 31.—Twin City Milk Producers Association,
St. Paul, Minn., 1918-1923.**

Year.	Total sales	Milk.	Cream.	Butter.	Cheese.
	\$	lb.	lb.	lb.	lb.
1918 - -	2,103,183	72,598,801	912,986	168,557	951,648
1919 - -	3,113,408	88,217,181	1,298,834	371,128	1,734,298
1920 - -	3,410,943	97,303,379	2,098,150	743,024	664,710
1921 - -	3,796,807	147,031,313	2,262,668	1,705,593	1,260,749
1922 - -	4,313,275	161,502,871	3,480,503	1,868,334	811,860
1923 - -	4,810,274	161,308,422	3,547,806	1,973,970	828,074

TABLE 32.—Associations, by Kinds and Organisations' Characteristics, March, 1924.

Selling	Incorporated.			Capital stock.			Stock dividends.			All producers.			Patronage dividends.		
	No. reporting.	No. incorporated.	Per cent. incorporated.	No. reporting.	No. with capital stock.	Per cent. with capital stock.	No. reporting.	No. paying stock dividends.	Per cent. paying stock dividends.	No. reporting.	No. with all producers.	Per cent. with all producers.	No. reporting.	No. paying stock dividends.	Per cent. paying stock dividends.
Cotton	103	95	92.2	103	78	75.7	97	67	69.1	102	56	54.9	90	38	42.2
Dairy products	1,818	1,640	90.2	1,906	1,606	84.3	1,826	980	53.7	1,875	923	49.2	1,730	1,140	65.9
Fruits and vegetables	1,067	806	75.5	1,107	462	41.7	985	231	23.5	1,166	1,007	86.4	959	769	80.2
Forage	18	15	83.3	20	5	25.0	18	5	27.8	19	19	100.0	17	12	70.6
Grain	3,080	3,040	98.7	3,114	3,036	97.5	3,007	2,573	85.6	3,080	1,585	51.5	2,988	1,955	65.4
Livestock	1,515	616	40.7	1,545	275	17.8	1,340	141	10.5	1,504	1,349	89.7	1,219	655	53.7
Nuts	50	48	96.0	48	12	25.0	48	1	2.1	49	47	95.9	46	44	96.7
Poultry and poultry products	53	25	47.2	56	21	37.5	50	17	34.0	54	45	83.3	51	33	64.7
Tobacco	25	25	100.0	25	11	44.0	21	5	23.8	21	17	81.0	20	15	75.0
Wool	112	55	49.1	115	15	13.0	100	7	7.0	109	101	92.7	87	43	49.4
Miscellaneous selling	696	538	77.3	697	393	56.4	646	295	45.7	692	545	78.8	619	413	66.7
Buying merchandise (stores)	693	658	94.9	707	677	95.8	683	556	81.4	696	339	48.7	658	396	60.2
Miscellaneous buying	416	234	56.2	424	121	28.5	376	74	19.7	390	305	78.2	323	136	42.1
Total	9,646	7,795	80.8	9,867	6,712	68.0	9,197	4,952	53.8	9,757	6,338	65.0	8,807	5,649	64.1

**TABLE 33.—Poultry Producers of Central California, Inc.,
San Francisco, Calif., 1917-1922.**

Year.	Number of stockholders.	Cases of eggs handled.	Receipts from sales.	Net returns to members.	Per cent. returns of receipts.
1917 -	—	213,532	\$ 2,382,444	\$ 2,170,626	91·1
1918 -	1,000	270,313	3,712,523	3,425,717	92·3
1919 -	1,201	228,677	3,055,337	2,814,737	92·1
1920 -	2,193	460,303	6,939,542	—	—
1921 -	2,839	662,598	6,905,802	—	—
1922 -	3,159	618,475	5,730,000	—	—

APPENDIX I.—Summary Table of Agreements.

(For Description see Chapter IV.)

(Abbreviations :—L.D. = Liquidated damages; Inj. = Injunction; S.P. = Specific Performance.)

Name of association.	Agency or owner's title to the commodity.	Duration of contract.	Revolving fund, non-stock or capital stock.	Whether Members only or producers only.	Penalty clauses.	Whether there are subsidiaries.
1. Texas Farm Bureau Cotton Growers' Association.	Owner's title	5 years - Not self-renewing. Terminating. No withdrawal privileges.	Capital stock	Members only Producers only.	L.D. 5 cents per pound. Inj. S.P.	Yes.
2. California Bean Growers' Association.	Owner's title	5 years - Not self-renewing. Terminating. No withdrawal privileges.	Non-stock	Members only	L.D. 1 cent per pound. Inj. S.P.	Yes.
3. California Almond Growers' Exchange.	Agency	5 years - Self-renewing. Terminating. No withdrawal privileges.	Non-stock	Members only	L.D. 5 cents per pound. Inj. S.P.	No.
✓ 4. California Fruit Growers' Exchange :— (a) Growers and Exchange.	Owner's title	5 years - Self-renewing. Withdrawal privilege—annual.	Stock and non-stock. Partial revolving fund.	Members only. Producers only.	L.D. 25 cents per box.	Yes.

(Abbreviations:—L.D. = Liquidated damages; Inj. = Injunction; S.P. = Specific Performances.)

Name of association	Agency or owner's title to the commodity.	Duration of contract.	Revolving fund, non-stock or capital stock.	Whether Members only or producers only.	Penalty clauses.	Whether there are subsidiaries.
California Fruit Growers' Exchange—contd. (b) District Exchange and Local Association. (c) California Fruit Growers' Exchange and District Exchanges.	Agency	20 years - Withdrawal privilege—annual.	Capital stock	Members only	L.D. 25 cents per box.	—
	Agency	20 years - Withdrawal privilege—annual.	Non-stock	Members only	L.D. 25 cents per box.	Yes.
5. Poultry Producers of Central California.	Owner's title	3 years - Renewable at option of association for 3 years and further 4 years. Withdrawal privilege for producer—annual	Non-stock Revolving fund	Members only	L.D. 7 cents per doz. eggs. Inj. S.P.	Yes.
6. California Cattlemen's Association.	Agency	Annual - Self-renewing. Withdrawal privilege—annual.	Non-stock	Members only	No penalty clauses.	No.
7. Dairymen's League Co-operative Assoc., Inc.	Agency	Annual - Self-renewing. Withdrawal privilege—annual.	Revolving fund	Members only	L.D. 10 dollars per cow 1st month; additional 3 dollars per cow per month while default continues.	No.

**APPENDIX 2.—California Prune and Apricot Growers Association.—
Membership Agreement.**

The undersigned propose to organise a non-profit co-operative association, without capital stock, under the laws of the State of California, for the purpose of encouraging and fostering the business of producing and marketing prunes and apricots co-operatively; for reducing speculation; for stabilising markets; for co-operatively and collectively handling the problems of prune and apricot growers; and for other pertinent purposes.

We, the undersigned Grower or Growers, in consideration of the premises and of our mutual undertakings and of the agreement of each and every other party hereto, do hereby agree as follows, each for himself and, collectively, for the express benefit of the Association to be organized :

1.—(a) Wherever the word "Association" is used herein, it means the California Prune and Apricot Growers Association, a new, non-profit, co-operative association to be organized under the terms hereof.

(b) Wherever the term "Old Association" is used, it means the California Prune and Apricot Growers, Inc., an existing corporation under which prunes and apricots are being handled and marketed co-operatively.

(c) Wherever the term "Warehousing Corporation" is used herein it means the Growers Packing and Warehousing Association, Inc., a corporation organized for the express purpose of packing, processing and physically handling prunes and apricots marketed by the Old Association.

(d) Wherever the term "Grower" is used, it means a person or persons, firm, or corporation engaged directly or indirectly, wholly or partly, in the production of prunes or apricots.

2.—(a) We will become members of the California Prune and Apricot Growers Association, a non-profit, co-operative association to be organized under the laws of the State of California.

(b) The Association will confine itself to the problems of packing and marketing prunes, apricots, and apricot pits, and their by-products only, and for its members only.

(c) The Association will have suitable Articles of Incorporation and suitable By-Laws, stating the purposes and powers of the Association; the rights and duties of members; the duties of directors and officers; the manner of forfeiture or transfer of membership; withdrawal or expulsion from membership; the value of property interests upon withdrawal or otherwise; and any other pertinent and important points, all as determined by the Organization Committee hereafter provided.

3. The Association may include in its membership any prune or apricot Grower, or the landlord or tenant, or lessor or lessee of orchards on which prunes or apricots are grown, provided the landlord or lessor receives all or part of his rental in prunes or apricots.

4. The affairs of the Association shall be controlled by a Board of 15 Directors; and the office and principal place of business of the Association shall be at San Jose, California. Business offices or branches may be established anywhere throughout the world.

5.—(a) The members, through the Voting Board hereafter provided, shall elect annually fourteen Directors from among members growing prunes or apricots, maintaining, at all times, a fair and equitable representation of the prune and apricot producing districts included in the membership.

(b) One director may be a person nominated in writing by the Governor of the State of California; and when elected, he shall have full authority as a director, representing primarily the interests of the general public in the conduct of the Association.

No person shall be elected as such director unless the name has first been approved by a majority of the Voting Board.

(c) The Board shall appoint an executive committee of five directors to conduct the detailed affairs of the Association, subject to the general control of the Board of Directors.

6. Every member of the Association shall have one vote.

7. Every member of the Association shall pay an entrance or membership fee of \$10.00. The property interest of all members in the Association shall be equal.

8.—(a) The undersigned Grower hereby appoints a Voting Board as his proxy and attorney, to vote in his name, place and stead for him and representing his interests and the joint interests of all other Growers at all annual, regular, or special meetings of the members of the Association, or otherwise, where a member may be called on to act in or for the Association, with the same powers and rights as the Grower himself would have if personally present, from the date of execution of this proxy, agreed as July 31, 1921, for a full period of seven years thereafter. The Voting Board shall consist of thirty-nine members, representing the various districts as here set forth :

Two from District 1, including Butte, Shasta, and Tehama Counties.

One from District 2, including Yuba and Sutter Counties.

One from District 3, including Colusa and Glenn Counties.

One from District 4, including Merced, Stanislaus, San Joaquin, Sacramento, Placer, Amador and Eldorado Counties.

Two from District 5, including Yolo and Solano Counties.

Two from District 6, including Napa County.

Five from District 7, including Sonoma, Mendocino and Lake Counties.

Sixteen from District 8, including Contra Costa, Alameda, Santa Clara, and San Mateo Counties.

Two from District 9, including San Benito, Monterey, and Santa Cruz Counties.

Two from District 10, including San Luis Obispo, Santa Barbara, Ventura, and Los Angeles Counties.

Two from District 11, including Orange, Riverside, San Diego and San Bernardino Counties.

Three from District 12, including Kern, Tulare, Kings, Fresno and Madera Counties.

Counties not named here, but which now or hereafter may have any membership producing prunes or apricots, shall be included in the nearest or most convenient district, as the Board of Directors may decide.

(b) The members of the Voting Board shall be selected by ballot by the members in the respective districts. The Organization Committee shall provide for primary elections to choose nominees from each district in double the number of the places to be filled. The election shall be held in each respective district by mail to elect the members of the Voting Board from such district. The Organization Committee shall provide for such primary and final elections to take place before July 31, 1921, and the names of members so elected shall be certified by the said Organization Committee and shall be deemed for all purposes to have been specified in this agreement as a Voting Board prior to the date of execution hereof.

(c) This Voting Board, so elected, shall select the directors for the first year and each year thereafter.

(d) No person may serve as a Director and as a member of the Voting Board at the same time.

(e) The Voting Board shall determine all questions by majority vote.

(f) The Voting Board shall meet whenever it may deem it necessary; elect its own chairman and secretary, and conduct its own method and manner of meeting; fill vacancies by election of other members as hereafter provided; expel any member of the Voting Board who, in the judgment of two-thirds of the total Board, may not represent the best interests of the Growers as a whole, in the conclusive judgment of the Voting Board;

and give the greatest possible care to the selection of proper directors to represent the interests of the Growers and to recommendations for the guidance of the Board in the conduct of the business of the Association.

(g) All expenses of the Voting Board, including such compensation as it may determine for its members performing regular duties for the Board, or otherwise, shall be paid by the Association as part of its general expenses.

(h) On written demand or vote of sixteen of the Voting Board any particular problem or problems of the Association shall be referred to the full membership of the Association. In such event, the proxy and power of attorney shall be temporarily suspended; and the entire membership shall be requested to vote thereon. The Voting Board shall thereupon vote as a unit as a majority of the Association members so voting shall determine.

(i) Twenty-five per cent. of the membership in any district may call an election in that district to demand the resignation of all or any members of the Voting Board from such district; and the members of the Voting Board shall act as the election may indicate resignation or otherwise.

(j) In the event of the withdrawal, resignation or expulsion of any member of the Voting Board, or in the event that any such member ceases to be a grower, in the event of any vacancy, the members in the district where such vacancy may occur shall hold a district election to choose his successor for the balance of the term.

(k) In all election and ballots where the members vote directly, voting by mail shall be provided, and in the instance of elections, primary and final ballots shall be provided as above set forth.

9. The Association shall create a membership fund out of the entrance or membership fees of \$10.00 per member.

This fund must be retained in cash or in specified assets of the Association representing an aggregate value equal to \$10.00 for each member of the Association.

10.—(a) The Association shall be organized by an Organization Committee, consisting of the Board of Directors and the Board of Trustees of the Old Association.

The Organization Committee shall begin an immediate campaign to secure signatures hereto, and shall continue the campaign to and through April 30, 1921.

(b) If by April 30, 1921, signatures of growers covering 75 per cent. of the prune acreage of California shall be secured for this agreement, this agreement shall be binding upon all of the subscribers in all of its terms as to prunes.

(c) If by April 30, 1921, signatures of growers covering 75 per cent. of the apricot acreage and 75 per cent. of the prune acreage of California shall be secured for this agreement, this agreement shall be binding upon all of the subscribers in all of its terms as to apricots.

(d) If by April 30, 1921, signatures of growers of 75 per cent. of the prune acreage or the apricot acreage of the State, respectively, shall not have been secured, then the Organization Committee shall so notify every subscriber at his address noted below and shall consider as cancelled the agreement signed by him in reference to only that fruit, either prunes or apricots, for which the minimum acreage has not been secured; or, if the minimum acreage of prunes is not secured, in reference to both.

(e) For all matters of acreage, or signatures, and for all statements of fact in connection herewith, the written statement of the Organization Committee, (signed by the Chairman and Secretary of the Board of Trustees of the Old Association,) shall be absolutely conclusive, with or without notice to the subscriber.

11.—(a) Each subscriber (who is not now a member of the Old Association, agrees to pay to the Organization Committee, upon execution of this agreement, the sum of \$10.00 for the membership fee of such subscriber, to be placed in the Membership Fund of the Association.

(b) If the signatures of Growers covering the minimum acreage shall not have been obtained by April 30, 1921, the Organization Committee shall return to such subscribers, not now members of the Old Association, the said sum of \$10.00 originally paid for the Membership Fee.

12.—(a) We do hereby authorize the Organization Committee, as the representative of all the subscribers, to take such steps as it may deem proper, to secure subscribers hereto; and when the adequate number is secured to take all steps necessary and advisable to organize the California Prune and Apricot Growers Association.

The Organization Committee shall cause the Voting Board to be elected at the earliest possible date; and the Voting Board shall choose the directors for the first year as Incorporating Directors and shall cause them to incorporate the Association.

(b) The Association when organized, shall make every reasonable effort to secure signatures of additional growers to the standard Agreements, to cover the largest possible acreage of this State.

13. The subscriber, as a present member of the Old Association, expressly authorizes and agrees:

(a) That he shall be credited with a payment of \$10.00 towards his entrance or membership fee, on account of payments heretofore made to the Old Association;

(b) That he shall be credited in the Advance Fund hereafter provided for the full face value of, or beneficial interest in, capital stock of the Old Association held or owned by him, on January 1, 1922, over and above aforesaid \$10.00 per person;

(c) That he shall be credited in the Advance Fund with the face value of any and all deductions made prior to January 1st, 1922, for the purchase of common stock or retirement of preferred stock of the Warehousing Corporation, calculated cumulatively;

(d) That he hereby assigns, sells and transfers over to the Association all of his interest in the California Prune and Apricot Growers, Inc.; and agrees to surrender to the Association his Trustees' Certificates, together with all of his interest in the capital stock of the Old Association, or in any assets thereof, and his claims against the old Association, as and to any deductions made for the purchase of stock of the Warehousing Corporation or otherwise;

(e) That he authorizes and instructs the Board of Trustees of the Old Association to vote for and arrange a transfer of all of the assets of the Old Association to the Association, for the value thereof; and to credit to the Old Association as part payment therefor such proportion of the transfer price as may be represented by all of its member stockholders, subscribers hereto, in the aggregate; and to pay all non-signing members or stockholders of the Old Association in cash for their respective interests, prior to January 1st, 1923; and to take such additional or other steps in reference thereto as may be required by law;

(f) That he authorizes and directs the Trustees and Directors of the Old Association to close out the business of the California Prune and Apricot Growers, Inc., as soon as the present contracts expire; and to dissolve the said Old Association at the earliest possible day.

14. The Association shall create and maintain an Advance Fund.

This Advance Fund shall be the aggregate of the amount of the issued capital stock of the Old Association, less \$10.00 per person deducted as already provided; and the aggregate value of assets developed from all deductions made for the purchase of common stock or preferred stock of the Warehousing Corporation prior to January 1st, 1922; and of all deductions thereafter made for the purchase and retirement of preferred capital stock of the Warehousing Corporation.

Series A Certificates, bearing interest at the rate of seven per cent. per annum, shall be issued for and on account of the respective interests therein of the subscribers, members of the Old Association. The Certificates shall be delivered to the Voting Board, to be held for the benefit and account

of such subscribers, until redemption; but interest shall be paid annually to the beneficial owners.

The Series A Certificates shall be retired, as the Directors may elect; generally, at the annual estimated rate of one-seventh of individual holdings and the aggregate amount of the entire Series A Certificates, in the conclusive discretion of the Directors.

The Series A Certificates shall be so retired by the payment in cash of the face value thereof with accrued interest.

The interest on all Certificates shall be paid annually to the owners thereof.

For any or all deductions made for the purpose of retiring the said Series A Certificates, every Grower shall be credited cumulatively, and Series B Certificates shall be issued according to such deductions for and on his account to the Voting Board.

Said Series B Certificates shall entitle each grower to seven per cent. interest on the face value; and shall further entitle him to such proportion of the face value of the Advance Fund as each Certificate bears to the total issued and unredeemed Certificates.

The said Advance Fund must not be distributed (except for payment of Certificates Series A, and replacement by deductions and issuance of Certificates Series B) as long as there are any outstanding liabilities of the Association over and above the amount of the Membership Fund.

The said Advance Fund shall otherwise remain intact. If the members do not elect to continue co-operative marketing hereunder, at the end of the seven years' period, the Directors, with the consent of two-thirds of the Voting Board, shall sell the assets of the Association and, after deducting and retaining the entire Membership Fund, for distribution equally by membership, shall distribute the proceeds proportionately to the owners of the Certificates then unredeemed.

15. All members of the Old Association not signing this Agreement, shall have the value of their respective interests in the deductions calculated as of January 1st, 1922, and shall be paid in cash therefor on or before January 1st, 1923, without interest.

16.—(a) The subscriber agrees (1) to execute, when requested by the Association, a Marketing Agreement in terms substantially the same as those set forth in the Agreement herewith embodied; or (2) at the option of the Association, to be bound by the terms of the following Marketing Agreement.

For such purpose signature to this Association Contract shall be deemed to all effects the same as signature to the said Marketing Agreement and as acceptance of each and every provision thereof and herein, as of the date of the exercise of such option by the Association. Notice thereof shall be mailed to each subscriber at his address as noted below.

(b) The subscriber here applies for membership in the Association when organized and expressly agrees that his signature to this Association Contract and to the Marketing Agreement, herewith embodied; and to this application for membership, shall be irrevocable; and that he so agrees, in order to induce other growers to sign this Agreement for his benefit as well as their own general benefit and the public welfare.

Acceptance of this application for membership and of the Marketing Agreement shall be deemed conclusive, upon the mailing of the notice by the Association; and such mailing and notice shall be conclusively established by the affidavit of the Secretary of the Association.

California Prune and Apricot Growers Association Marketing Agreement :

“CALIFORNIA PRUNE AND APRICOT GROWERS ASSOCIATION, a non-profit, co-operative Association, without capital stock, with its principal office and place of business at San Jose, California, hereinafter called the Association, First Party, and the undersigned Grower, Second Party, AGREE :

" 1. The Grower is a member of the Association and is helping to carry out the express aims of the Association for co-operative marketing, for minimizing speculation and waste and for stabilizing prune and apricot markets in the interests of the grower and the public, through this and similar obligations undertaken by other growers.

" 2. The Association agrees to buy and the Grower agrees to sell and deliver to the Association all of the prunes and apricots and apricot pits produced or acquired by or for him in California, during the years 1922, 1923, 1924 and 1925; and, at the option of the Association, the years 1926, 1927 and 1928. This option shall be irrevocable; and shall cover the total period of three years; and shall be exercised, if the Association deems it advantageous to the growers as a whole, before April 30, 1926, by notice mailed to each grower at his address noted below.

" The term 'apricots' herein shall include apricot pits from dried apricots, for all provisions as to sale, delivery, resale, pooling distribution of proceeds, obligations and otherwise.

" 3. The Grower expressly warrants that he is now in a position to control said crops and would be able to deliver according to this agreement; and that he has not heretofore contracted to sell, market or deliver any of his said prunes or apricots to any person, firm or corporation. If he has so contracted, he shall so state at the end of this agreement; and any crops covered by any such existing written agreement shall be excluded from the terms hereof to the extent and for the time there indicated.

" 4.—(a) All prunes and apricots shall be delivered at the earliest reasonable time when ready; and, in any event, prior to September 15th for apricots and November 10th for prunes in each year, as and where directed by the Association.

" Where the packing plants of the Association or its subsidiary are distant from the common delivery points, the Association will, in its discretion, assume the cost of transportation from the common shipping points to its packing plants.

" But delivery shall not be deemed to have been made hereunder except at the plants or grading points owned or controlled by the Association.

" (b) Any deduction or charge or loss that the Association may make or suffer on account of inferior grade, quality or condition at delivery, shall be charged against the Grower individually.

" (c) The Association shall make rules and regulations regarding handling and delivering, and provide inspectors and graders to standardize, grade and classify the prunes and apricots; and the Grower agrees to observe and perform any such rules and regulations and to accept the grading and standards established by the Association.

" (d) All prunes and apricots shall be delivered in properly dried and merchantable condition, the determination of the Association as to grade, standard and classification and differentials in prices, shall be conclusive.

" 5. The Association shall pool or mingle the prunes or apricots or pits of the Grower with prunes or apricots of a like quality or grade delivered by other growers. The Association shall classify prunes or apricots by size, grade, variety or any other commercial standards; and this classification shall be conclusive.

" 6. The Association agrees to resell such prunes and apricots together with prunes and apricots of like quality, grade and classification, delivered by other growers under similar contracts, at the best prices obtainable by it under market conditions; and to pay over the net amount received therefrom, as payment in full, to the Grower and Growers named in contracts similar hereto, according to the value of the prunes and apricots delivered by each of them, after deducting therefrom, within the discretion of the Association, the costs of packing, processing, manufacturing, handling, storing, depreciation, advertising and marketing, and an Association charge of not to exceed three per cent. of the gross resale proceeds. From this charge, organization and other general Association expenses shall be deducted; and commercial reserves created; and deductions made for the interest on or retirement of the Advance Fund, or otherwise,

in the discretion of the Association. The annual surplus from such Association charge must be prorated among the growers delivering prunes and apricots in that year, on the basis of their respective deliveries.

"7.—(a) The Grower agrees that his prunes and apricots shall be so mingled and that the net returns therefrom, less all costs, advances and charges, shall be credited and paid to him on a proportional basis, considering all differentials and adjustments, out of the receipts from the sale of all prunes and apricots of like quality, grade and classification.

"(b) The Association agrees to pay as substantial an advance payment on the prunes and apricots as the market and financial conditions will permit, as soon as practicable after delivery of the prunes and apricots to it; and such advance payments may be proportionately higher for fruit classified in more desirable grades or sizes from a commercial standpoint.

"(c) The proceeds from the resale of prunes and apricots in the various pools shall be paid to the growers from time to time; and all collected proceeds, less deductions, advances and charges, shall be so distributed by July 1st for apricots and by October 1st for prunes in the year following the delivery of the prunes or apricots hereunder.

"(d) Each pool shall be for a full season; and payment shall be made from time to time, as rapidly as possible, in due proportion, until the accounts of each pool of the season are completely settled.

"8. The Association may sell the said prunes and apricots within or without this State, directly to consumers, or wholesale distributors or retailers, or otherwise, at such times and upon such conditions and terms as it may deem profitable, fair and advantageous to the Growers, and it may sell all or any part of the prunes or apricots to or through any agency, now established or to be hereafter established for the co-operative marketing of the prunes or apricots, or other dried fruits in this or in other states or group of states throughout the United States or elsewhere; and under such conditions as will serve the joint interest of the growers and the public; and any proportionate expenses connected therewith shall be deemed marketing costs under paragraph 6.

"9. The Grower hereby expressly authorizes the Association to deliver to the Growers Packing and Warehousing Association, or otherwise, any or all of his prunes and apricots for handling, processing or storing; and to charge against his prunes or apricots the prorated costs of such services and his prorated share of the funds necessary to create a reserve to retire the preferred stock of the Warehousing Corporation; and to pay the interest on advances and the dividends on all outstanding stock.

"10. The Grower shall have the right to retain and to sell all or part of his fruit green for green use or canning only; and only to persons, firms, or corporations which then have written contracts with the Association, providing that the said purchasers shall handle the products for green or canning use only and are listed by the Association in its regular publication or by notice to the growers as approved Buyers.

"The Grower agrees to give the Association immediate written notice of any such sale; and further agrees to render an accounting to the Association for all fruit delivered green by him to canneries or other Buyers.

"11. If this agreement is signed by the members of a co-partnership, it shall apply to them and each of them individually in the event of the dissolution or termination of the said co-partnership.

"12. This agreement shall be binding upon the Grower as long as he produces or acquires any prunes or apricots directly or indirectly, or has the legal right to exercise control of any prunes or apricots or any interest therein during the term of this contract.

"13.—(a) If the Grower transfers any or all of his prune or apricot orchard, or any or all of the prunes or apricots owned or controlled by him, to any member of his family, by blood relation or marriage, or to any Trustee, any such transfer shall be deemed to be subject to this contract; and such transferee shall be deemed to be obligated to deliver the prunes and apricots hereunder. In event of failure so to do, the Grower shall

be obligated for liquidated damages, hereinafter provided, on the basis of the amount of fruit covered directly or indirectly in such transfer, in addition to other remedies.

" 13.—(b) Any such transfer, made by the Grower to any person, firm or corporation whatsoever after March 1st of any year, shall be conclusively deemed to be made subject to this agreement and all its obligations for that calendar year; and the transferee shall be obligated to deliver the prunes or apricots hereunder. In event of failure so to do, the Grower shall be obligated for liquidated damages, hereinafter provided, on the basis of the amount of fruit covered directly or indirectly in such transfer, in addition to other remedies.

" 14. If the Grower places or permits to be placed, a crop mortgage upon any of his crops during the term hereof, the Association shall have the right to take delivery of his fruit and to pay off all or part of the crop mortgage for the account of the Grower and charge the same against him individually.

" The Grower shall notify the Association prior to making any crop mortgage. Failure to so notify the Association shall be deemed an attempt to evade the obligations of this contract improperly and shall invalidate the said mortgage as against the Association.

" 15. This agreement is one of a series generally similar in terms, comprising with all such agreements, signed by individual grower, or otherwise, one single contract between the Association and the said Growers, mutually and individually obligated under all of the terms thereof. The Association shall be deemed to be acting, in its own name, for all such Growers in any action or legal proceedings on or arising out of this contract.

" 16.—(a) Inasmuch as the remedy at law would be inadequate and inasmuch as it is now and ever will be impracticable and extremely difficult to determine the actual damage resulting to the Association, should the Grower fail so to sell and deliver all of his prunes and apricots and pits, the Grower hereby agrees to pay to the Association for all prunes and apricots and pits withheld, delivered, sold, consigned or marketed by or for him other than in accordance with the terms hereof the sum of two cents per pound of prunes, and particularly the sum of four cents per pound of prunes running larger than thirty to the pound and the sum of four cents per pound of apricots and $\frac{1}{2}$ c. per pound of apricot pits, as liquidated damages for the breach of this contract, all parties agreeing that this contract is one of a series dependent for its true value upon the adherence of each and all of the Growers to each and all of the said contracts.

" (b) The Grower agrees that in the event of a breach or threatened breach by him of any provision regarding delivery of prunes or apricots or pits, the Association shall be entitled to an injunction to prevent breach or further breach hereof and to a decree for specific performance hereof; and the parties agree that this is a contract for the purchase and sale of personal property under special circumstances and conditions; and that the buyer cannot go to the open markets and buy prunes or apricots or pits to replace any which the Grower may fail to deliver.

" (c) If the Association brings any action whatsoever, by reason of a breach or threatened breach hereof, or otherwise, the Grower agrees to pay to the Association all costs of Court, costs for bonds and otherwise, expenses of travel and all expenses arising out of or caused by the litigation and any reasonable attorney's fees expended or incurred by it in such proceedings, and all such costs and expenses shall be included in the judgment and shall be entitled to the benefit of any lien securing any payment hereunder.

" 17. This agreement expressly covers the crops to be produced on the orchard owned or leased by the Grower, located as generally described on the signature stub hereinbelow; but the contract, in addition, expressly covers any and all prunes and apricots that the Grower may produce or acquire from or on any other land whatsoever during the term hereof.

" 18. The parties agree that there are no oral or other conditions, promises, covenants, representations or inducements in addition to or at variance with any of the terms hereof, and that this agreement represents the voluntary and clear understanding of both parties fully and completely.

" Read, considered and signed by the Grower, as of the date determined by the Association Contract, in the State of California."

(END OF MARKETING AGREEMENT)

17. These provisions are subject to minor modification or amendment by the Organization Committee, on the suggestion of the Corporation Commissioner, or otherwise, so as to carry out the general purposes hereof, or to conform to the provisions and privileges that may be embodied in any act providing for federal incorporation of co-operative associations enacted prior to July 31, 1921.

18. It is expressly agreed that this instrument is one of a series substantially identical in terms. All such instruments shall be deemed one contract for the purpose of binding the subscribers, to the same extent as if all of the subscribers had signed only one such contract.

Read, considered and signed at....., California, this.....day of....., 192....

DO NOT SIGN WITHOUT READING.

Grower

P.O. Address

California Prune and Apricot Growers Association.

MEMORANDUM OF MARKETING AGREEMENT.

THIS CERTIFIES that the undersigned has duly executed a written agreement with the said Association in the standard form, as set forth in the records of the Recorder's Office of..... County, Vol. of Miscellaneous Records, page to, inclusive; and that he is obligated to deliver to it all the prunes and apricots and apricot pits produced or acquired by him in 1922, 1923, 1924, 1925, and, at its option, in 1926, 1927 and 1928; and more particularly all the prunes and apricots and apricot pits produced during said years on the property located and generally described as per attached records :-

Dated at, California, this day of 192....

Grower.

STATE OF CALIFORNIA,
County of } ss.

On this day of, A.D. 192...., before me,, a Notary Public in and for the County of..... State of California, residing therein, duly commissioned and sworn, personally appeared, known to me to be the person described in and whose name is subscribed to the within instrument, and he acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at my office in said County, State of California, the day and year in this Certificate first above written.

.....
Notary Public in and for the County of....., State of California.

**APPENDIX 3.—Pacific Co-operative Wool Growers, Portland, Oregon.—
Marketing Agreement.**

THIS AGREEMENT between the PACIFIC CO-OPERATIVE WOOL GROWERS, formerly called the Oregon Wool and Mohair Growers Co-operative Association, a non-profit corporation, with its principal office at Portland, hereinafter called the Association, first party, and the undersigned grower or growers, hereinafter called the Grower, second party, agree:

In consideration of the mutual obligations herein and of the admission of the Grower to membership in the Association, and in pursuant of the express aims of the Association for co-operative marketing, for eliminating speculation and waste and for stabilising the wool and mohair markets in the interests of the growers and the public and in accordance with similar obligations undertaken by other growers.

First: The Association agrees to buy and the Grower agrees to sell and deliver to the Association all of the wool and mohair grown by or for him during the years 1921, 1922, 1923, 1924 and 1925.

Second: The Grower expressly warrants that he has not heretofore contracted to sell, market, mortgage, consign or deliver any of his said wool or mohair to any person, firm, or corporation, except as noted at the end of this agreement. Any wool or mohair covered by such existing written contract shall be excluded from the terms hereof for the period and to the extent noted.

Third: The Association agrees to resell such wool and mohair, together with wool and mohair of like variety and grade, delivered by other Growers, under similar contracts, at the best prices obtainable under market conditions; and to pay over the net amounts received thereby as payment in full to the Grower and Growers named in contracts generally similar to this contract, according to the resale value of the wool or mohair delivered by each of the Growers, after deducting therefrom the costs of maintaining the Association and of transporting, handling, grading, packing, storing, selling and marketing such wool and mohair and of other proper activities, and also reserves for credits and other general commercial purposes, said reserves not to exceed one per cent. of the gross resale price, all within the conclusive discretion of the Association.

Fourth: The Association may sell the said wool and mohair to mills, brokers and others, at such times and upon such conditions and terms as it may deem fair and advisable; and it may sell all or any part thereof through any agency for the co-operative marketing of the wool or mohair of the Pacific Northwest or of other states or groups of states or of the United States, under a term contract or otherwise, and under such conditions as will serve the joint interests of the growers and the public and any proportionate or other expenses connected therewith shall be deemed marketing costs under Paragraph Three.

Fifth: The Association may establish selling statistical or other agencies in any city in the world.

Sixth: (a) All wool or mohair and the warehouse receipts covering it shall be delivered to or at the order of the Association, as when and where directed by the Association.

(b) All wool and mohair shall be delivered at the earliest reasonable time when ready.

(c) Any deductions or allowance or loss that the Association may make or suffer on account of inferior grade, quality or standard or condition at delivery, shall be charged against the Grower individually and deducted from his net returns hereunder.

(d) The Association may make rules and regulations and provide inspectors to standardize the quality, method and manner of handling, sacking and shipping of such wool and mohair, and the Grower agrees to observe and perform any such rules and regulations prescribed by

the Association and to accept the grading established by the State and Federal authorities and the Association.

Seventh: The Grower shall have the right to discontinue the production of sheep and goats any time in his free discretion; but if the Grower produces any wool or mohair or acquires or owns any interest in any during the term hereof, it shall all be included under the terms of this agreement and must be sold only to the Association.

Eighth: The Association may, for any purposes herein, pool or mingle the wool or mohair of the Grower with wool or mohair of a like grade and variety from similar districts, delivered by other growers named in contracts generally similar to this contract. The Grower agrees that his wool and mohair may be so mingled and that the returns therefrom, less all costs, advances and charges, as set forth in Paragraph Three hereof, shall be credited and paid to him on a proportional basis out of the receipts from the sale, marketing or other disposal of all such wool and mohair of like variety and grade each season, all as and when determined by the Association.

Ninth: The Grower further agrees that the Association shall have the power, without limitation, to borrow money in its name and on its own account for any purpose on the wool and mohair delivered to it or on any warehouse receipts or on any accounts for the sale thereof or on any drafts, bills of exchange, notes, or acceptances, orders or any commercial paper delivered therefor; and to exercise all rights of ownership without limitation, and to pledge in its name and on its own account such wool and mohair or receipts or accounts or drafts, bills of lading, notes, acceptances, orders or other commercial paper as collateral therefor. The Association shall have the right to prorate the money so received among the growers and to pay to each grower his proportionate amount thereof, or to use the same for any proper association purpose or activity.

Tenth: The Grower expressly agrees that the Association may handle in its discretion some of the wool and mohair in one way and some in another; but the net proceeds of all wool and mohair of like variety and grade from the similar districts, less all charges, shall be divided ratably among the growers in proportion to their deliveries, or shipments of such varieties and grades. Such division or distribution shall be made from time to time, in such amounts as the Association may deem advisable, until all the accounts of the season are completely settled.

Eleventh: The Grower hereby expressly authorizes the Association to deliver to any warehouse it may select, any or all of his wool or mohair for inspecting, grading, storing, handling and shipping, at the rates provided by law for such services or under an obligation to pay, under a term contract, a reasonable charge for the performance of such services; and the Grower hereby authorizes the Association to enter into any contract for such consideration and on such terms and conditions as it may deem advisable and profitable for inspecting, grading, handling, storing, warehousing and shipping of the wool and mohair covered hereby, or any portion thereof.

Twelfth: If this agreement is signed by the members of a co-partnership, it shall apply to them and each of them individually in the event of the dissolution or termination of the said co-partnership.

Thirteenth: This agreement shall be binding upon the Grower, his representative, and successors, during the period above mentioned, as long as he raises wool or mohair directly or indirectly, or has the legal right to exercise ownership or control of any thereof, or any interest therein during the term of this contract.

Fourteenth: If the Grower transfers any or all of his sheep or goats or any or all of the wool or mohair owned or controlled by him, to any member of his family, by blood relation or marriage, or to any trustee, any such transfer shall be deemed to be subject to this contract unless

the Association is notified and agrees that it is a *bona fide* sale, otherwise such transferee shall be deemed to be obligated to deliver the wool and mohair hereunder. In event of failure to do so, the Grower shall be obligated for liquidated damages, hereinafter provided, on the basis of the amount of wool or mohair covered directly or indirectly in such transfer, in addition to other remedies.

Fifteenth: The Grower shall notify the Association prior to making any chattel mortgage on his sheep or goats.

If the Grower places or permits to be placed, a chattel mortgage upon any of his sheep or goats during the term hereof, the Association shall have the right to take delivery of his wool and mohair and to pay off all, or subject to the terms of such mortgage or rights of the holder thereof, part of the chattel mortgage for the account of the Grower and charge the same against him individually.

Sixteenth: This agreement is one of a series generally similar in terms, comprising, with all such agreements, signed by individual Growers mutually and individually obligated under all the terms thereof, one single contract between the Association and the said Growers. The Association shall be deemed to be acting, in its own name, for all of such growers in any action or legal proceeding on or arising out of this contract.

Seventeenth: From time to time each year the Grower will mail to the Association, as requested, a statement of the size of his flock and such other information as is desired, on the forms provided for that purpose by the Association.

Eighteenth: If the Association brings any action by reason of a breach or threatened breach by him of any provision hereof, or otherwise, the Grower agrees to pay to the Association all costs of court, costs for bonds and otherwise, expenses of travel and all expenses arising out of or caused by the litigation and any reasonable attorney's fee expended or incurred by it in any such proceedings, and all such costs and expenses shall be included in the judgment and shall be entitled to the benefit of any lien securing any payment hereunder.

Nineteenth: Inasmuch as the remedy at law would be inadequate and inasmuch as it is now and ever will be impracticable and extremely difficult to determine the actual damage resulting to the Association, should the Grower fail to sell and deliver all of his wool and mohair, the Grower hereby agrees to pay the Association for all wool and mohair delivered, sold, consigned, or marketed by or for him other than in accordance with the terms hereof, the sum of six cents per pound of greasewool or mohair as liquidated damages for the breach of this contract, all parties agreeing that this contract is one of a series dependent for its true value upon the adherence of each and all of the contracting parties to each and all of the said contracts.

Twentieth: The Grower agrees that in the event of a breach or threatened breach by him of any provision hereof, particularly as to delivery or marketing of any wool or mohair other than to or through the Association, the Association, shall, upon proper action instituted by it, be entitled to an injunction to prevent further breach hereof, and a decree for specific performance hereof, according to the terms of this agreement; and the Association and the Grower expressly agree that this agreement is not a contract for personal services or demanding exceptional capacity or talents; and that this is a contract for the purchase and sale of personal property under special circumstances and conditions and that the buyer cannot go into the open markets and buy wool or mohair to replace any which the Grower may fail to deliver; and that this contract will be the proper subject for the remedy of specific performance in the event of a breach thereof.

Twenty-first: The parties agree that there are no oral or other conditions, promises, covenants, representations or inducements in addition to or at variance with any of the terms hereof, and that this agreement

represents the voluntary and clear understanding of both parties fully and completely.

Read, considered and signed at.....
 this.....day of.....192...

Grower.....
 Size of Flock :
 Sheep.....
 Goats P. O. Address.....

LIST HERE EXISTING CONTRACTS OR CHATTEL MORTGAGES OF GROWER.

1. Sold or Mortgaged to

By authority of a resolution of the Board of Directors of the Pacific Co-operative Wool Growers, adopted on the 27th day of June, 1921, this agreement is accepted and executed.

PACIFIC CO-OPERATIVE WOOL GROWERS,

By
 Secretary—Asst. Secretary.

NOTE.—In case of partnership each partner must sign the contract.

APPENDIX 4.—Twin City Milk Producers Association.—Agreement.

THIS AGREEMENT, made this.....day of, 19..., by and between the Twin City Milk Producers Association, a corporation, hereinafter called the Association, and..... of the Township of..... County of..... and State of Minnesota, hereinafter called the Producer.

WITNESSETH, That Whereas said Producer is now the owner of dairy cows, and is desirous of becoming a member of said Association, and of having the milk and cream produced by him from such cows sold and disposed of by and through the Association on a co-operative basis.

Now, THEREFORE, In consideration of the mutual covenants herein set forth, each of the parties hereto hereby mutually promise and agree as follows :

1st. Said Producer hereby subscribes for shares of the Capital Stock of said Association of a par value of fifty dollars (\$50.00) each, and hereby authorizes said Association to deduct from his monthly milk or cream cheque five per cent. of the amount of said cheque to apply on the payment of said share.....of stock until the same is fully paid, for which said Association shall issue to said Producer, its Capital Stock certificate.

2nd. Said Producer hereby agrees to consign from date hereof, to said Association for sale or disposal, as hereinafter provided, but on said Producer's account, all milk and cream produced by or from the cows owned or controlled by him, except such part thereof as may be required by said Producer for his home or farm use or for retail by himself. Said milk and cream shall be delivered by said Producer at such place or places as may be designated by said Association, and when so delivered shall be in a pure and unadulterated state, and in such condition that the same is suitable for sale in the Cities of Minneapolis, St. Paul and adjacent markets.

3rd. Said Association agrees on its part to receive and sell all of said milk and cream so consigned to it by said Producer, or to manufacture the same and sell the products thereof, all in the ways deemed by said Association to be most advantageous to the Producer, and to remit to said Producer as soon as practicable after the end of each calendar month,

for all such milk and cream consigned by said Producer during said month, the average price received by said Association for all milk and cream of the grade consigned to it by said Producer, whether the same is sold as such, or manufactured into products made therefrom and handled by the Association. Such price or return to be paid to said Producer shall be determined by averaging the price obtained by said Association for all milk or cream handled by it, together with the manufactured products thereof, for or from milk with the butter-fat quality of that supplied by the Producer. Said Association shall have the right to deduct such a percentage from the amount to be paid to said Producer under this contract as its board of directors may from time to time determine is necessary, to pay for the maintenance and operation of said Association, and provide for unforeseen contingencies. PROVIDED, however, that all amounts deducted for such maintenance and operation expenses shall at all times be distributed among the producers, members of this Association, in proportion to the quantities of milk or cream furnished.

4th. It is agreed by and between the parties hereto, that this contract shall be self-renewing for periods of one year each, beginning with June 1st, 19....., unless either party hereto shall notify the other in writing on or before thirty (30) days before June 1st of any year, including the year 19....., of his or its intentions to terminate the same on the first day of June following such notice.

5th. In case either party fails to perform its or his covenants as herein provided, the party in default shall and will pay to the other, as liquidated or stipulated damages, and not as a penalty for his or its breach, the sum of Five (5) Dollars for each cow owned and kept by the Producer, as above stated.

IN TESTIMONY WHEREOF said parties have hereunto set their hands and seals the day and year first above written.

Signed, Sealed and Delivered in the Presence of :

Witness for Association

Witness for Producer

TWIN CITY MILK PRODUCERS ASSOCIATION.

By.....

Milk Producer Sign Here.

APPENDIX 5.—Twin City Milk Producers Association.—Articles of Incorporation.

(Corrected to January 1, 1924.)

ARTICLE I.

Name.

The name of this corporation shall be TWIN CITY MILK PRODUCERS ASSOCIATION.

ARTICLE II.

Nature of Business.

The general nature of the business of this corporation shall be the purchasing and selling and the manufacture, handling and marketing for itself and others, of milk, cream, butter and cheese, and all farm and dairy products and farm and dairy supplies, machinery and appliances of every kind and nature, and generally to acquire, use and dispose of all real and personal property and to do any and all things incident to or necessary or convenient for prosecution of said business above specified or any branch thereof.

ARTICLE III.

Place of Business.

The principal place of transacting the business of this corporation shall be the City of St. Paul, County of Ramsey, and State of Minnesota.

ARTICLE IV.

Date and Period of Incorporation.

The time of the commencement of this corporation shall be the 2nd day of January, A.D. 1917, and the period of its duration shall be thirty (30) years.

ARTICLE V.

Incorporators.

The incorporators of this corporation are: John B. Irwin, whose place of residence is Richfield, Hennepin County, Minnesota; George H. Elwell, whose place of residence is Number 907 Southeast 7th Street, in the City of Minneapolis, in said County, and E. J. Brosius, whose place of residence is the City of Stillwater, Washington County in said State.

ARTICLE VI.

Management and Directors.

The management of this corporation and of its business shall be vested in a Board of Directors consisting of a number not less than five (5) nor more than one hundred (100) persons, which number shall be determined by the stockholders at their annual meeting in each year, and who shall, except as herein designated, be elected annually by ballot by and from the stockholders thereof, at their annual meeting. The directors composing the present Board shall hold office until the first annual stockholders' meeting of said corporation subsequent to the adoption of these amendments and until their successors are elected and qualified. And the names and addresses (all of which are within the State of Minnesota) of those composing the present Board of Directors and who shall hold office until the next annual meeting of the stockholders as herein provided, are:

Directors and Addresses.

Joseph M. Hackney, St. Paul, Minnesota.
 Charles McCarron, Gladstone.
 Otto Heider, Anoka.
 John Nesbit, Eden Prairie.
 E. J. Brosius, Stillwater.
 John B. Irwin, Sta. F., Minneapolis.
 Edw. Knowlan, Gladstone.
 Geo. H. Elwell, Minneapolis.
 M. F. Mooney, St. Paul.
 W. H. Titterud, Constance.
 R. H. Benham, Savage.
 W. F. Schilling, Northfield.
 Henry Daniels, Stanton.
 James Slater, Mendota.
 Chris Neilsen, Robbinsdale.
 William Westburg, Hopkins.
 J. F. Harrison, Excelsior.
 Harold Pond, R. F. D. No. 3, Minneapolis.
 Maurice Luby, Hopkins.
 William Eberle, No. St. Paul.
 Albert Bay, Stillwater, R. F. D. No. 3.
 Sam Dornfelt, R. F. D. No. 3, Lake Elmo.
 John Ganter, New Brighton.
 Ed. Haeckerof, Daytons Bluff Sta., St. Paul.
 Frank Picha, Hopkins.

Directors and Addesses.

M. D. Munn, Forest Lake.
 Frank Crippin, R. F. D. No. 5, Hastings.
 Charles G. Kohls, Rosemount.
 Henry Bucher, New Brighton.
 J. Nauer, St. Paul.
 R. H. Fischer, W. St. Paul.
 Henry Gackstetter, So. St. Paul.
 F. E. Lammers, Lakeville.
 J. J. Miller, Randolph.
 Fred Howie, Detnison.
 Rollin Dutton, Robbinsdale.
 Paul Wind, Linden Hills Sta., Minneapolis.
 E. E. Klein, Chanhassen.
 O. L. Olson, Eden Prairie.
 Clarence Wilson, Sta. F., Minneapolis.
 W. S. Moscrip, Lake Elmo.
 B. H. Chancellor, Hamel.
 C. E. Daulton, Langdon.
 E. M. Christian, 45th Ave. & Reservoir Parkway, Minneapolis.
 D. E. Enloe, River Falls, Wisc.

ARTICLE VII.

Stockholders' Annual Meeting.

The Annual Meeting of the stockholders of this corporation shall be held in said City of St. Paul at the corporation's principal place of business therein, or at such other place within said city as may be designated by the Board of Directors, at 11 o'clock a.m. on the first Tuesday of December in each year. Notice of such meeting shall be published by the Secretary in a daily or weekly newspaper published in said City of St. Paul being qualified to publish legal notices, and such notice shall appear in at least two consecutive issues of such newspaper in the case of a weekly paper and in case of a daily paper once each week for two consecutive weeks previous to such meeting. In place of such published notice the Secretary may give notice by mail to each and every stockholder at his or her last known postoffice address not less than fifteen (15) nor more than thirty (30) days previous to the date of such meeting. After each annual stockholders' meeting the newly-elected directors shall convene and hold the annual meeting of the Board, and shall elect officers of the Association for the ensuing year.

ARTICLE VIII.

Officers.

The officers of this corporation other than its directors, shall be president, first vice-president, second vice-president, secretary and treasurer and such others, if any, as its by-laws shall provide, all of whom shall be elected annually by the Board of Directors. The office of secretary and treasurer may be combined and when so combined the person filling the office shall be termed Secretary-Treasurer. Each officer shall be a director of the Association. Each director and each officer of the Association shall respectively serve until his successor shall have been elected and shall enter upon the discharge of his duties. In case of vacancy at any time, for any cause, in any office, such vacancy may be filled by the Board or the remaining members.

ARTICLE IX.

Capital Stock.

The amount of the capital stock of this corporation shall be One Million Dollars (\$1,000,000.00), and shall be divided into twenty thousand (20,000) shares of the par value of Fifty Dollars (\$50.00) each. The said

stock shall be issued and paid for at such time and in such manner as shall be required or directed by the Board of Directors.

ARTICLE X.

Who may be Stockholders.

No person shall be a stockholder in this corporation unless he be a dairyman engaged in business as such or an officer or director in a co-operative creamery association or an officer or director in a co-operative association engaged in the manufacture of butter or cheese. And no stockholder in this corporation shall at any meeting thereof be entitled to more than one vote for the stock which he owns or holds, even though he have more than one share therein, which vote may be cast by the shareholder in person or by mail, but not by proxy.

ARTICLE XI.

Indebtedness.

The highest amount of indebtedness or liability to which this corporation shall at any time be subject shall be the sum of One Million Dollars (\$1,000,000.00).

ARTICLE XII.

Amendments to these Articles.

The Board of Directors, by a majority vote of its members, may pass a resolution setting forth the full text of the proposed amendment and also the full text of such section or sections as may be repealed by such amendment. Upon such action by the Board of Directors, notice shall be mailed to each and every stockholder containing a copy of the resolution so adopted, the full text of the proposed amendment and also the full text of such section or sections as may be repealed by such amendment. Such notice shall also designate the time and place of meeting at which such proposed amendment shall be considered and voted upon. If a quorum of the stockholders is present or represented by a mail vote at such meeting, a majority of the members so present or represented by mail vote may adopt or reject such proposed amendment.

Date of original Articles of Incorporation, December 26, 1916.

Date of vote of first amendments to Articles of Incorporation, December 8, 1919.

Date of vote of second amendments to Articles of Incorporation, November 6, 1922.

By-Laws of the Twin City Milk Producers Association.

ARTICLE I.

Name and Location.

Section 1. The name of this corporation shall be TWIN CITY MILK PRODUCERS ASSOCIATION.

Sec. 2. Its principal office shall be located at St. Paul, Minnesota.

Sec. 3. Other offices for the transaction of business shall be located at such places as the Board of Directors may from time to time determine.

ARTICLE II.

Capital Stock.

Section 1. The amount of the capital stock shall be One Million Dollars (\$1,000,000.00), which shall be divided into twenty thousand (20,000) shares of the par value of Fifty Dollars (\$50.00) each.

Sec. 2. All certificates of stock shall be signed by the President and the Secretary, and shall be sealed with the corporate seal.

Sec. 3. Treasury stock shall be held by the corporation subject to the disposal of the Board of Directors, and shall neither vote nor participate in dividends.

Sec. 4. The corporation shall have a first lien on all the shares of its capital stock, and upon all dividends declared upon the same, for any indebtedness of the respective holders thereof to the corporation.

Sec. 5. Transfers of stock shall be made only on the books of the corporation; and the old certificate, properly indorsed, shall be surrendered and cancelled before a new certificate is issued. The stock books of the corporation shall be closed against transfers for a period of fifteen days before the day of payment of dividend, and for ten days before each annual meeting of stockholders.

Sec. 6. In case of loss or destruction of a certificate of stock, no new certificate shall be issued in lieu thereof except upon satisfactory proof to the Board of Directors of such loss or destruction; and upon the giving of satisfactory security, by bond, or otherwise, against loss to the corporation. Any such new certificate shall be plainly marked "Duplicate" upon its face.

Sec. 7. In the event that a stockholder ceases to be a dairyman engaged in business as such, or an officer or director in a co-operative creamery association, or an officer or director of a co-operative association engaged in the manufacture of butter or cheese, or shall cease to sell his dairy products through the Association, his stock certificate or certificates may be cancelled, and upon the payment to him by the corporation of the actual value of such certificate or certificates, they shall be surrendered to the corporation.

ARTICLE III.

Stockholders' Meetings.

Section 1. The Annual Meeting shall be held at 11 o'clock a.m. on the first Tuesday in December in each year, at the principal office of the corporation, or at such other place as may be designated by the Board of Directors. Provided, however, that whenever such day shall fall upon a legal holiday, the meeting shall be held on the next succeeding business day. At such meeting the stockholders shall elect directors to serve until their successors shall be elected and qualified.

Sec. 2. Special meetings of the stockholders to be held at the same place as the annual meeting, or at such other place within the State of Minnesota as may be designated by the Board of Directors, may be called at any time by the President, or in his absence by the Vice-President, on vote of a majority of the Board of Directors. It shall be the duty of the President to call such meeting whenever requested in writing by ten (10) per cent. or more of the stockholders of the corporation. In such case, notice of the meeting shall be issued within ten (10) days and the meeting held within thirty (30) days of the receipt by the President of such request.

Sec. 3. Notice of the time and place of all annual and special meetings shall be mailed by the Secretary to each stockholder not less than fifteen (15) days nor more than thirty (30) days previous to the date of such meeting. In case of special meetings the notice shall recite the business to be submitted to the meeting.

Sec. 4. The President, or, in his absence, either Vice-President shall preside at all such meetings.

Sec. 5. At every meeting, each stockholder shall be entitled to cast one vote, which vote may be cast by him in person or by mail, but not by proxy. Votes by mail shall be accepted if certified to and signed by the stockholder so voting; provided, however, that a notice containing the exact text of the motion or resolution has been mailed to such stockholder at his last known postoffice address and that a copy of the same is forwarded with and attached to the vote so mailed by the absent stockholder. The Board of Directors may cause a referendum vote to be taken by mail upon any action or recommendation of the Board or for the purpose of

electing members of the Board of Directors, subject to the same regulations as above provided.

Sec. 6. Every stockholder shall have the right to vote for as many persons as there are Directors to be elected.

Sec. 7. A quorum for the transaction of business at any such meeting shall consist of ten per cent. of the members of the Association, but shall be more than fifty members. Members present in person or represented by mail vote shall be counted in estimating the quorum. The fact of the attendance of a sufficient number of stockholders to constitute a quorum shall be established by a registration of the stockholders of the Association, which registration shall be verified and certified to by the President and Secretary of the Association.

ARTICLE IV.

Directors.

Section 1. The management of this corporation and of its business, shall be vested in a Board of Directors, consisting of a number of not less than five (5) nor more than one hundred (100) persons, which number shall be determined by the stockholders at their annual meeting in each year, and who shall, except as herein designated, be elected annually by ballot by and from the stockholders thereof, at their annual meeting. The directors composing the present Board shall hold office until the first annual stockholders' meeting of said corporation subsequent to the adoption of these amendments and until their successors are elected and qualified. A transfer by a director of all his stock in the corporation shall operate as a resignation of his office.

Sec. 2. The regular meetings of the directors shall be held in the principal office of the corporation or such other place as the Executive Committee shall designate, immediately after the adjournment of each annual stockholders' meeting; and also quarterly on the 10th day of December, March, June, and September thereafter at the hour of 11 o'clock a.m. PROVIDED, however, that whenever such a day shall fall upon a Sunday or a legal holiday, the meeting shall be held on the next succeeding business day.

Sec. 3. Special meetings of the Board of Directors, to be held in the principal office of the corporation, or such other place as the Executive Committee shall designate, may be called by the President; and in his absence by either Vice-President or any majority of members of the Board.

Sec. 4. Notice of all regular and special meetings, except those specified in the second sentence of Section 3 of this article, shall be mailed to each Director by the Secretary, at least 3 days previous to the time fixed for the meetings. All notices of special meetings shall state the purpose thereof.

Sec. 5. A quorum for the transaction of business at any regular or special meeting of the Directors, shall consist of fifteen members of the Board; but a majority of those present at any regular or special meeting shall have power to adjourn the meeting to a future time.

Sec. 6. The directors shall elect the officers of the corporation and fix their salaries; such election to be held at the directors' meeting following each annual stockholders' meeting. An officer may be removed at any time by a two-thirds vote of the full Board of Directors.

Sec. 7. Vacancies on the Board of Directors may be filled by the remaining directors at any regular or special directors' meeting.

Sec. 8. During the interim between meetings of the Board of Directors, the business of the corporation shall be managed by an Executive Committee, which shall consist of the officers of the corporation and one other Director, who shall be chosen by the Board of Directors at the time of the annual meeting of the stockholders.

Sec. 9. At each annual stockholders' meeting, the directors shall submit a statement of the business done during the preceding year, together

with a report of the general financial condition of the corporation, and of the conditions of its tangible property.

ARTICLE V.

Officers.

Section 1. The officers of this corporation shall be a President, a First Vice-President, and Second Vice-President, a Secretary and a Treasurer. They shall be elected for the term of one year and each shall hold office until his successor is duly elected and qualified. No one shall be eligible to any office who is not a director of the corporation, and any officer who ceases to be a Director shall cease to hold office as soon as his successor is elected and qualified. The office of Secretary and Treasurer may be held by one person.

Sec. 2. The President shall preside at all directors' and stockholders' meetings; shall have general supervision over the affairs of the corporation and over the officers; shall sign all stock certificates and written contracts of the corporation, and shall perform all such other duties as are incident to his office. In case of the absence or disability of the President, his duties shall be performed by the Vice-President.

Sec. 3. The Secretary shall issue notices of all directors' and stockholders' meetings, and shall attend and keep the minutes of the same; shall have charge of all corporate books, records, and papers; shall be custodian of the corporate seal; shall attest with his signature and impress with the corporate seal, all stock certificates and written contracts of the corporation, and shall perform all such duties as are incident to his office, shall receive money, turn in same to treasurer, get receipt thereof and give bond.

Sec. 4. The Treasurer shall have custody of all money and securities of the corporation and shall give bond in the sum and with such sureties as the directors may require, conditioned upon the faithful performance of the duties of his office. He shall keep regular books of account and shall submit them, together with all his vouchers, receipts, records and other papers, to the directors for their examination and approval as often as they may require them; and shall perform all other such duties as are incident to his office.

ARTICLE VI.

Dividends and Finance.

Section 1. Dividends, to be paid out of the surplus earnings of the corporation may be declared from time to time by resolution of the Board of Directors; but no dividends shall be paid that will impair the capital of the corporation.

Sec. 2. The funds of the corporation shall be deposited in such bank or trust company as the directors shall designate, and shall be withdrawn only upon the cheque or order of the Treasurer, countersigned by the President.

Sec. 3. All cheques and drafts of the corporation shall be signed by the Cashier or Assistant Cashier thereof and countersigned by a member of the Executive Committee of the corporation.

ARTICLE VII.

Amendments.

Section 1. Amendments to these By-Laws may be made by a vote of the stockholders present or represented by mail vote at any annual stockholders' meeting or at any special stockholders' meeting when the proposed amendment has been set out in the notice of such meeting.

GENERAL INFORMATION.

In order to answer some of the many questions coming from all over the United States regarding our Association, we are giving additional information herewith:

Locals.

The Association is divided into units, known as locals. There are fifty of these units, and while they are not a legal part of the organization they are an important working part.

The locals are formed wherever groups of producers naturally come together, and locals vary in size from thirty to three hundred. These locals hold frequent meetings which are attended whenever possible by an officer or representative of the central office. Before the annual meeting each local holds a meeting, at which time a director from that local is nominated. These nominations are presented at the annual meeting for the vote of the entire membership, and in every case the director nominated by the local has been elected. These fifty directors then elect from among their members five officers, who constitute the Executive Committee. This arrangement makes it necessary for every officer to first be a director from his own community. These officers meet every week and keep in close touch with the work of the organization through a manager whom they elect. The officers and manager at the present time are :

President, W. F. Schilling, Northfield, Minn.

First Vice-President, A. H. Dexter, Osseo, Minn.

Second Vice-President, H. N. Nickerson, Elk River, Minn.

Secretary-Treasurer, W. S. Moscrip, Lake Elmo, Minn.

Director, F. E. Lammers, Lakeville, Minn.

Manager, H. R. Leonard, General Office, Raymond and University Avenue, St. Paul, Minn.

Stock Sales.

All members joining the Association are required to sign a contract, known as our Producers' contract. This provides that the member shall sell his dairy products through the Association for a period of one year. This contract is self-renewing unless notice of discontinuance is given thirty days prior to the expiration date.

A rule of the Association is that new members coming in must subscribe for one \$50.00 share of stock for each four cows owned. Payment does not need to be made in cash, but will be deducted from the member's cheque at the rate of 5 per cent. of the cheque each month until the stock is paid. Interest at the rate of 6 per cent. has been paid on each share of stock as soon as \$50.00 payments are completed.

Stock certificates are not sent out until the total amount subscribed for is paid, but interest starts as soon as \$50.00 is paid. Interest is not paid on fractional shares.

Stock Refunds.

It is the desire of the Association to keep as members only those who are directly interested in the success of the organization. For this reason, it is the policy of the Association at the time this is written to buy back the stock of any member who sells his farm and ceases to be interested in the production of milk in our territory.

We make refunds only to members who cease to be dairymen in the territory served by the Association, and who sell their land and cows owned in this territory.

This provision may be changed at any time, as section 7 of the By-Laws provides that "Certificates may be cancelled." This leaves the option of cancelling, or not, with the Association.

Advantage of the Association.

Co-operative marketing offers so many advantages that it is possible in this limited space to give but a brief outline of these. Each of the items given below could be elaborated upon to fill a page of this paper. The chief advantages are :

Benefits to Members :

- (1) An unfailing market every day of the year.

(2) All products sold on our own tests and with the weights checked by our inspectors.

(3) By representing a large number of dairymen, we have more chance to secure legislation favourable to dairying, where this legislation benefits the consumer as well as the producer.

(4) Practically no credit losses, because of the careful inspection of the financial standing of our customers.

(5) Because of our size, we have been able to do effective advertising in various forms, and thereby double the market for our product in four years.

(6) A better price—

(a) Because of our ability to contract for large amounts of milk and cream.

(b) Our manufacturing plants enable us to gain by the sale of by-products such as Powder, Casein, Butter, Cheese, etc.

(c) By manufacturing milk not needed for city use, at country points, we save large amounts in freight charges.

(d) We can buy all supplies in large quantities.

(e) Our Sanitation Department has largely eliminated waste due to sour milk and off-grade cream.

Benefits to Distributors .—

(1) Because of our plants we can take care of the daily fluctuation in supply and demand, giving our customers just the amount of milk they want each day.

(2) Through our sanitation department we have greatly improved the milk supply.

(3) Our organisation eliminates the necessity of the milk distributors having field men to buy milk for them and to work on quality.

Benefits to Consumers :—

(1) A fresh supply of milk every day. Surplus is manufactured into dairy products in our own plants and no milk is held over.

(2) Better milk than that received before we were organized, because of our sanitation department. This also benefits the producer.

(3) A price which is among the lowest in the United States because of the small spread between producers and consumers.

The producer's contract which each member of the Association is required to sign, forms the only basis of agreement between the Association and its members. The rules for cancelling contracts and making refunds as explained above have been established by the Board of Directors, and they may change them at any time. However, *neither the written contract or the rulings of the officers can be changed by any statement or verbal agreement of an employee of the Association.*

**APPENDIX 6.—Minnesota Co-operative Creameries Association, Inc.—
Membership Agreement.**

AGREEMENT, made this . . . day of . . . , 192 . . . , by and between MINNESOTA CO-OPERATIVE CREAMERIES ASSOCIATION, INC., a corporation, organized under the laws of Minnesota, hereinafter called Association, and . . . CO-OPERATIVE CREAMERY, a corporation organized under the laws of Minnesota, hereinafter called Creamery, WITNESSETH :—

WHEREAS, it has been deemed necessary by the various co-operative creamery, dairy, poultry and agricultural associations of the State of Minnesota to organize for their own protection and betterment as the

Association, and by such organization to co-operate in the matter of developing the industries in which said associations are engaged and the production and marketing of their products ;

AND, WHEREAS, this agreement is made for the purpose of more fully enabling the Association to carry out the purposes for which it was created and the Creamery to take advantage of the benefits expected to accrue from the functioning of the Association.

I.—COVENANTS OF CREAMERY.

In consideration of the covenants and conditions hereinafter contained and to be performed by the Association, the Creamery covenants and agrees as follows :

1. That it will pay to the Association as and for all services rendered by the Association, except those mentioned in paragraph III of this agreement, a sum not to exceed one-fourth cent ($\frac{1}{4}$ c) per pound upon all butter shipped for sale and marketing by it whether to or through this Association or not, and a sum to be determined by the Association but not to exceed one (1) per cent. of the net selling price on all other products sold, shipped or marketed. Such charges and sums shall be paid the Association on or before the twenty-fifth day of the month following that in which the butter or products upon which they have accrued were shipped or marketed, but the Association may at any time retain such charges out of the proceeds of products sold by it or may collect the same from the consignee or purchaser of such products. It furthermore agrees to pay as above provided two (2) cents per 100 pounds butter to be refunded monthly to the District Associations to be used by the District Associations as they may decide.

2. That it will furnish to the Association a true and correct copy of all contracts between itself and its stockholders, members and patrons relative to shipping their products, which in any manner limit the action of the Creamery in its dealings with the Association, and this contract shall be deemed to have been made subject to all such contracts, copies of which have been so furnished before the execution thereof.

3. That it will obey and conform to all rules and regulations promulgated by the Association with reference to the manner of conducting the business of the Creamery, the shipping, marketing, branding and labelling of its products, the purchase of its supplies, the improvement and standardization of its products, the collection of its accounts, the kind and character of its employees, and generally to further the efficient performance of this contract.

4. That the Association may at any time make or cause to be made an audit or examination of the books and records of the Creamery, and for such purpose shall at all times have full and free access to its books and records.

II.—COVENANTS OF ASSOCIATION.

In consideration of the covenants and conditions herein contained and to be performed by the Creamery, the Association covenants and agrees as follows :

1. That it will use its best efforts to sell, market and dispose of the products of the Creamery hereinbefore set forth, and as its agent to secure fair and reasonable prices therefor.

2. Through its personnel and by such means as it may find advisable and deem practicable :

To assist the Creamery to combine with other co-operative associations of similar nature into units for the carlot shipping and standardization of its products.

Endeavour to secure the Creamery and associations of similar nature protection against unfair competition in their products.

To assist it by proper field supervision in obtaining material suitable for the most efficient manufacture of its products.

To secure for it all reasonably available information relative to manufacturing, packing, marketing, shipping and sale of its products.

To assist it in the purchase of all necessary supplies.

To locate at New York, Philadelphia, Chicago, St. Paul, and such other market points as may be deemed necessary, service and sales agents, who shall render complete and direct service in all matters pertaining to the marketing of its products and the settlement of claims arising therefrom, and who shall keep it fully informed as to the condition of the market, the arrival and condition of products shipped, the wholesale and retail prices of its products in its respective district, and from whom the Association shall obtain and furnish to the Creamery such information as the Creamery may request.

To organize and maintain a claim department for the handling of all claims of the Creamery, including all claims against railroads and transportation companies, and at the request of the Creamery will to the best of its ability collect, and when in its judgment the merits of the claim warrant such action prosecute, on behalf of the Creamery, claims arising out of shipments made by the Creamery, including any claims for overcharge or loss and damage, and when necessary will institute suit thereon and conduct such litigation in the courts, all at its own cost and expense.

To maintain a legal department to handle necessary litigation for the Creamery and furnish such advice as it may from time to time desire.

To maintain a traffic department which shall, among other things, furnish such traffic information as the Creamery may from time to time demand.

To do any and all other things deemed necessary by it to protect the interests of the Creamery and similarly situated co-operative associations within the scope of its duties as herein set forth and as provided in its charter and by-laws.

3. Maintain at its own cost and expense a field man, who shall :

(a) Assist the Creamery to secure and manufacture products of even dependable market quality.

(b) Provide for and assist in the establishing of local shipping units through which the Creamery may advantageously ship and through which it may purchase needed supplies.

(c) Generally perform any service that will tend to improve the market quality of the products, lessen the manufacturing and shipping expense, and better the conditions of the business of the Creamery.

These services shall be known as the "field service" of the Association.

4. Immediately and without delay, upon receipt of moneys due the Creamery, except as otherwise provided in Section III of the contract, transmit the same to the Creamery after deducting therefrom any sum then due the Association, and that it will at all times keep its books and records open and subject to examination by the Creamery, and that it will render to the Creamery monthly a statement covering all shipments for the calendar year then elapsed.

5. Forward to the Creamery copies of all correspondence in any manner affecting its interests.

III.—BUTTER MARKETING AGREEMENT.

1. The Creamery agrees to deliver and consign to the Association for sale and disposal on the Creamery's account all butter manufactured by it during the term hereof except such as is consumed by its own patrons, sold locally, or in St. Paul, Minneapolis and Duluth for actual consumption in such locality or city, said butter shall be delivered by the Creamery at such time and place or places as may be designated by the Association and when delivered shall be pure and unadulterated, in good marketable condition and shall comply with all State and Federal Statutes and regulations as to moisture, fat content, quality and other requirements, and shall be in such condition as may from time to time be required in

regulations issued by the Association. The Creamery agrees to comply with all regulations and specifications of the Association respecting the grading of the cream, pasteurizing, standardising of manufacturing methods, standardizing the butter as to flavour, body, salt, colour and package, and the making of manufacturing reports; and to accept the grading established by the Association, State or Federal Government, and to furnish to the Association an account of its sales for the past year. The Creamery agrees that, any reduction or allowance, or loss that the Association may make, or suffer on account of mold, over-moisture, deficiency in fat, untidy package and finish, inferior quality or condition at time of delivery, shall be charged against the Creamery individually.

2. The Creamery warrants that it has not heretofore contracted to sell, market, consign or deliver any of its butter to be manufactured subsequent to the date hereof except as noted at the end of his agreement. Any butter so noted shall be excluded from the provisions hereof for the period noted.

3. The Association may mingle the butter of the Creamery with butter of like grade delivered to it by other creameries under contracts similar to this contract and may sell the butter delivered to it by the Creamery as delivered, or mingled when, where, for such price, upon such terms, to such persons, and under such grade, brand, or label as it may determine upon; may warehouse the same for such period as it deems advisable and may borrow money in its own name on the security of such butter to the same extent as though it were the owner thereof.

4. The Association will receive, grade, brand, and sell all of said butter so consigned to it by the Creamery at the best price obtainable under market conditions, all in its discretion however, and will remit to the Creamery after receiving the proceeds of such sale or as soon as practicable after the end of the calendar month during which such proceeds are received by the Association, the net amount received therefrom, less freight, and other charges. The net amount per pound to be paid the Creamery for such butter shall be determined by mingling the butter of the same grade received and sold during any calendar month and dividing the number of pounds in the pool by the net proceeds obtained therefrom, and deducting from the amount so obtained, any advances, the cost of transporting, grading, testing, handling, selling, storing, financing, and marketing such butter, and such sum as the Association deems necessary to create a reserve and sinking fund, and other general purposes. All moneys then owing the Association by the Creameries may be deducted by the Association in remitting to the Creamery the proceeds of sales.

5. In order to provide a working capital for the efficient operation of the Association's Butter Sales Department, the Creamery agrees that it will loan to the Association for the purpose of creating a permanent liquid revolving fund such an amount as the Association deems necessary, but not to exceed One Cent (1c) per pound of butter sold by the Association for it, and that such sum may be retained by the Association out of the proceeds of sales and held by the Association for a period of two (2) years. The Association agrees that it will, in remitting to the Creamery the proceeds of sales deliver to the Creamery its certificate of indebtedness, payable in two years, bearing interest at six per cent. (6%) per annum, payable annually for the amount so retained by it.

IV.—MUTUAL COVENANTS AND AGREEMENTS.

It is mutually understood and agreed :

1. That upon the execution of this agreement the Association shall and will deliver to the Creamery.....shares of the Capital Stock of the Association for which the Creamery agrees to pay the par value thereof, and that the issuance of such stock is conditioned upon the execution of this agreement.

2. This agreement shall be effective on and after the date specified by the Association for its readiness to accept the Creamery's butter, and shall continue in force for two years from date of this agreement, and, subject to termination as hereinafter provided, shall remain continuously in force thereafter. This agreement may be terminated by either party on the first day of January in any year after 1926, upon the giving of written notice of intention to terminate not more than sixty (60) days nor less than thirty (30) days prior to such termination date. Such notice of termination shall not affect the rights of either party as to any other contract then in force.

3. The Creamery agrees to pay to the Association for all butter sold, consigned or marketed by or for it other than in accordance with the terms hereof as liquidated damages for the breach of this contract a sum equal to one-half cent (½c) per pound upon all butter so sold, consigned or marketed, it being understood and agreed that the damages sustained by the Association in the event of such a breach are substantial but not susceptible of accurate determination.

4. That the Association, in marketing and disposing of the products of the Creamery hereinbefore described, may establish such grades, brands and labels as it deems advisable, and the Creamery agrees that it will pack, market and ship its products in and under such grades, brands and labels, and in such quantities and standards, as the Association shall from time to time prescribe.

5. That this agreement is made subject to all provisions of the charter and by-laws of the Association, with each of which the parties are familiar.

IN TESTIMONY WHEREOF, the parties hereto have caused these presents to be executed by their duly authorized officers the day and year first hereinabove written.

MINNESOTA CO-OPERATIVE CREAMERIES ASSOCIATION, INC.

In presence of :
 By
 Secretary.

In presence of :CO-OPERATIVE CREAMERY,
 By
 By

APPENDIX 7.—Co-operative Creamery Patronage Contract.

AGREEMENT, made this.....day of....., 192..., by and between CO-OPERATIVE CREAMERY ASSOCIATION, a corporation organized under the laws of Minnesota, hereinafter called the "Creamery," and..... of the Township of..... County of.....and State of Minnesota, hereinafter called the "Producer," WITNESSETH :

WHEREAS, successful Co-operative Creameries have marketed the cream of their members for a uniformly higher rate than is otherwise obtainable; and

WHEREAS, the successful operation of the Creamery is dependent upon the continuous receipt by it of a large volume of butter fat in good condition; and

WHEREAS, the Producer is the owner of.....cows and believes that it is necessary for the successful and efficient operation of the Creamery that its members and patrons be bound to it by contracts similar to this agreement;

NOW THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto mutually promise and agree as follows :

1. The Producer agrees that he will, for and during a period of five (5) years from the date hereof, deliver and consign to the Creamery, for sale or disposal on the Producer's account as hereinafter provided, all butter fat produced by or from cows owned or controlled by him or produced upon the farm of the Producer in the township above named, or upon any other farm operated by the Producer in the vicinity of the above named Creamery, except such as may be actually required for use upon said farm. Said butter fat shall be delivered to the Creamery at its Creamery plant or at such other place as may be designated by the Creamery, and when delivered shall be pure and unadulterated and in such condition as may from time to time be required by the by-laws and regulations of the Creamery.

2. The Producer warrants that he has not heretofore contracted to sell, market, consign or deliver any of his butter fat to be produced subsequent to the date hereof.

3. The Creamery agree to receive and sell all butter fat so delivered to it by the Producer, or to manufacture the same and sell the products thereof, at the best price obtainable therefor, all in its discretion however, and to remit to the Producer, as soon as practicable, but not later than the 25th day of the month following delivery, the average price received by it for all butter fat of the grade delivered to it by the Producer during said delivery month, whether the same is sold as such or manufactured into products and sold. The amount to be remitted to Producer shall be determined by averaging the price obtained by the Creamery for the butter fat and manufactured products thereof handled by it, and shall be based upon the butter fat quality delivered by the Producer. In determining the average price to be paid the patrons for butter fat by the Creamery there shall be deducted from the actual sale price the cost of operation of the Creamery as determined by its board of directors, transportation, insurance, and other proper charges, and such amounts as the Creamery shall from time to time deem necessary for its maintenance and for the creation of adequate reserves, working capital, and such other reserves and funds as the Creamery may be required by law to maintain. All such deductions shall be charged against all persons who have consigned and delivered butter fat to the creamery during the period in question, in proportion to the amount of butter fat so consigned and delivered by them respectively.

4. The Creamery agrees to sell one or more shares of stock at par or book value as decided by Creamery Board, to any patron signing this agreement not now a stockholder, at the request of said patron.

5. It is understood that the Creamery is a member of the Minnesota Co-operative Creameries Association, Inc., and that it may market through said Association all or any portion of the butter fat delivered to it pursuant to the terms hereof, either as delivered or the manufactured products thereof.

6. The Producer agrees to pay to the Creamery for all butter fat sold consigned or marketed by or for him other than in accordance with the terms hereof, as liquidated damages for the breach of this contract, a sum equal to Five Cents (5c) per pound upon all butter fat so sold, consigned or marketed, it being understood and agreed that the damages sustained by the Creamery in the event of such a breach are substantial but not susceptible of accurate determination.

7. The Producer further agrees that in the event of a breach by it of any material provisions hereof, the Creamery, in addition to any other remedy it may have, shall be entitled to an injunction to prevent further breach hereof and a decree for specific performance of this contract.

8. This agreement is made subject to all the provisions of the charter and by-laws of the Creamery, and shall be binding upon the successors representatives and assigns of the parties.

IN TESTIMONY WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first above written.

In Presence of :

..... CO-OPERATIVE
 CREAMERY ASSOCIATION,
 By.....
 Producer.

APPENDIX 8.—California Cattlemen’s Association.—Marketing Agreement.

It is understood and agreed that the within shall be ineffective until the Board of Directors of the California Cattlemen’s Association shall declare by resolution that a sufficient number of similar contracts have been executed to justify entering upon the purpose thereof, and thereupon the within shall become binding upon the parties as a contract.

.....
 Producer.
 THE CALIFORNIA
 CATTLEMEN’S ASSOCIATION.
 By.....
 Its.....

MARKETING AGREEMENT.

THIS CONTRACT entered into this.....day of, 192..., between the first undersigned, herein called the Producer, and the second undersigned, The California Cattlemen’s Association, herein called the Association, WITNESSETH :

1. The Producer hereby appoints the Association exclusive agent and grants it the exclusive right to sell all cattle now or hereafter owned or controlled by the Producer, provided that either party may cancel this agreement at the end of any year after 1924 by written notice to the other given between November 1st and November 30th of such year. Producer shall inform the Association of the location and number of each kind of cattle herein involved and grants Association right of entry on any lands controlled by him to obtain such information at Producer’s expense should he neglect to do so. Association shall use its best efforts in the course of orderly marketing to make sales of such of the cattle above described as at any given time are intended or in the opinion of the association are acceptable for slaughter, but shall not make such sales at prices below any minimum prices which Producer from time to time may fix on the basis of the rate per pound, official government grades, ranch or shipping point, provided that such minimum shall be ineffective at the option of the Association until ten (10) days written notice thereof shall have been received by the Association. In order that the Producer may more accurately fix such minimum sales prices, the Association shall maintain for Producer’s exclusive and confidential use a marketing information service covering all available and appropriate facts and conditions. Producer shall deliver all cattle sold hereunder, to slaughter house or f.o.b. cars shipping point, failing in which the Association may do so at Producer’s expense. The Association shall have power to execute all documents and do all things necessary or incidental to the powers hereby granted.

2. The Association alone shall collect the proceeds of all sales above described, and after deducting all advances and charges against the cattle sold and an amount as a deposit or final payment toward the merchandising costs of the Association, which shall not exceed 2 per cent. of the gross sales price, shall promptly remit the balance to the Producer with a detailed account of sales. The Association shall make sales of all cattle herein described, other than intended or acceptable in the opinion of the Association for slaughter, only as specifically requested by producer, and only upon such terms and conditions as Producer may define, and in such cases shall make no charge for its services beyond the actual cost of the service rendered. In case of disagreement between the parties hereto as to the grade of any cattle, the matter shall be decided by three persons, one chosen by the Producer, one by the Association, and a third by the other two. The grade as determined by the Association shall be binding in all cases in which the Producer does not, in writing, dispute it prior to any shipment.

3. The terms hereof are necessary to the plan and purpose of the Association for the orderly marketing of cattle as further in part set out in the by-laws of the Association, in which Producer acknowledges membership. The Association has entered into, and will enter into, other similar contracts for the fulfilment of such purposes, and at substantial cost has provided itself with appropriate facilities. In consideration thereof, Producer agrees that the agency herein created is coupled with an interest and shall be irrevocable except as herein provided. The Producer hereby creates a lien in favour of the Association on all cattle herein described to secure all sums that may become due hereunder. Such lien shall be subsequent to any lien created in good faith for value on such cattle prior to the filing of any suit by the Association to enforce the lien herein created.

4. As a method of securing credit or borrowing money against the proceeds of sale of any cattle, the Producer may assign to the Association all of Producer's interest therein for the purpose of making sales in the manner herein provided; thereafter Producer may issue assignments on forms provided by the Association in sums of not less than one hundred dollars each payable in priority of registry with the Association, of Producer's claim against the Association for the proceeds from such cattle when sold and accounted for under the terms hereof.

.....
 Producer.

**THE CALIFORNIA
 CATTLEMEN'S ASSOCIATION.**

By.....

Its.....

MEMORANDUM OF MARKETING AGREEMENT.

The Producer undersigned has executed an agreement with The California Cattlemen's Association hereinafter called the Association whereby the exclusive and irrevocable power of sale of all cattle now or hereafter owned or controlled by the undersigned, is vested in the Association except as expressly cancelled in accordance with the terms thereof. The said Producer has therein created a lien in favour of the Association on all of said cattle to secure any sums that may become due thereunder, including an obligation to make payments toward the merchandising costs of the Association not to exceed 2 per cent. of the gross sales price. Such lien shall be subsequent to any lien granted in good faith for value prior to filing any suit by the Association to enforce the lien herein described. The Agreement referred to is identical as to form with the standard form of agreement of the Association, series 1924, recorded and available for examination in the usual manner in the office of the County Recorders of

the City and County of San Francisco, County of Los Angeles and County of..... The said cattle are located in the County of....., California, and are, or will be, marked and branded with the following mark and brand recorded in the name of the Producer under the Hide and Brand Bill, to wit :

and also all other cattle now or hereafter owned by the Producer.

Dated this.....day of....., 192....

.....
 Witness. Producer.

WITNESS ACKNOWLEDGMENT.

STATE OF CALIFORNIA, }
 County of..... } ss.

On this.....day of.....in the year One Thousand, Nine Hundred and Twenty....., before me..... a Notary Public in and for said County of..... personally appeared..... known to me to be the same person whose name is subscribed to the within instrument as a witness thereto, who, being by me duly sworn, deposed and said : That he was present and saw..... personally known to him to be the person...described in and who executed the said instrument as a party thereto, sign, seal and deliver the same ; and that the said..... duly acknowledged, in the presence of affiant, that.....he.....executed the same, and that he, the said affiant, thereupon and at.....he..... request, subscribed his name thereto as a witness.

In witness whereof, I have hereunto set my hand and official seal, this.....day of....., 192....

[SEAL.]
 Notary Public in and for Said County and State.

**APPENDIX 9.—Poultry Producers of Central California—
 Produce Sale Agreement.**

THIS AGREEMENT, made between Poultry Producers of Central California, a non-profit, co-operative marketing Association, without capital stock, organized for co-operative marketing of poultry products, with its principal office at San Francisco, California, hereinafter called the Association, first party, and the undersigned poultry producer hereinafter called the Producer. the second party, WITNESSETH :

In consideration of the mutual obligations herein and of the agreements by each of the parties hereto to be performed, and in compliance with the By-Laws of the Association, and in pursuance of the express aims of the Association for co-operative marketing and for reducing speculation in eggs, and in consideration of similar obligations undertaken by many other poultry producers :

1. The Association agrees to purchase and the Producer agrees to sell and deliver to the Association, the eggs produced or acquired by or for him in California during the years 1924, 1925 and 1926. that he intends to sell or market in any event, for the price to be secured by the Association, as hereinafter mentioned.

At the option of the Association this agreement may be extended in and throughout each of the years 1927, 1928, and 1929—such option to be irrevocable and shall cover the total period of the three years 1927,

1928 and 1929, and shall be exercised by the Association mailing on or before December 1, 1926, a notice of such exercise to each Producer at his address noted below. If the Association exercises the option to extend this agreement in and throughout the years 1927, 1928 and 1929, then and in that event at the option of the Association this agreement may be extended in and throughout each of the years 1930, 1931, 1932 and 1933—such option to be irrevocable and shall cover the total period of the four years 1930, 1931, 1932 and 1933 and shall be exercised by the Association mailing on or before December 1, 1929, a notice of such exercise to each Producer at his address noted below. Mailing of notice hereunder shall be conclusively established by the affidavit of the Secretary of the Association.

The Producer may by written notice sent by registered mail to the Association between October 1st and 15th of any year beginning with 1924 terminate this Agreement as to such Producer as of December 31st of that year.

2.—(a) The Association agrees to resell said eggs, together with similar eggs from other producers, at prices, which, in the Association's judgment, are the best obtainable under market conditions, and to pay over the amounts received thereby as payment in full to the producers named in contracts generally similar to this contract, according to the quantities of eggs delivered by the respective Producers, after deducting therefrom brokerage when paid, costs of transportation, supplies, packing, processing, handling, grading and storing and a sufficient amount to provide for the creation of commercial reserves and depreciation as determined by the Association and for the payment of interest on the Advance Fund of the Association. There shall also be deducted not to exceed 1 cent per dozen for each dozen of eggs marketed to cover overhead, selling costs and expenses and the subscription of each member to the "Nulaid News" of One Dollar per year.

(b) If, at the end of the fiscal year, a surplus is available from the said deductions hereinabove provided for, the Association shall refund such surplus, excepting reserves, to the Producers in proportion to the value of their contributions thereto.

(c) The Producer hereby authorizes the Association to deduct from his weekly returns, 1 cent for each dozen of eggs marketed for him, to be credited and applied towards the creation of the Advance Fund of the Association, or the retirement of the certificates thereof, and the Association agrees to issue and deliver to the Producers, Advance Fund Certificates representing such deductions, providing for interest at the rate of 6 per cent. per annum; such certificates to be issued in denominations of not less than \$10.00, and to be issued quarterly, commencing with the first day of April, 1924.

3.—(a) The eggs delivered by the Producer herein shall become the absolute property of the Association and shall be pooled and sold with other eggs of like grade and like quality purchased by the Association under contracts generally similar to this contract, the pools to be established for districts corresponding to the districts from which the Directors are elected as set out in the Association Agreement of the Association. These districts may be changed by the Board of Directors of the Association provided, however, that no change may be made until a written notice has been sent to every member of the Association notifying the members of the intention to change the pool districts and specifying the changes to be made. The members shall have two weeks within which to signify their dissent or disapproval of such change. If within two weeks of the mailing of such notices by the Association the majority of the members fail to file written notices of such disapproval or dissent, the Association shall proceed to change the districts as indicated by action of the Board of Directors and such change shall be deemed to be embodied as a part of this contract from said date.

The amounts to be paid to the Producer weekly out of the total weekly receipts of moneys from the sale or other disposition of eggs of like quality

and grade in the pool in which are placed the eggs delivered by the Producer shall be in proportion to the quantity of eggs delivered by the Producer to said pool less the deductions hereinabove mentioned.

All eggs remaining unsold and not otherwise disposed of at the close of any weekly pool shall be deemed resold to pools of similar eggs for the following pool week at the inventory value, as conclusively determined by the Association, and the sale price so calculated shall be added to the receipts from eggs actually sold during said first week and shall be distributed as a part of the weekly receipts as above provided. Upon the ultimate resale of such eggs the proceeds shall be added to the receipts of the pools to which the eggs have been deemed sold.

(b) The Association, in its discretion, may store, or warehouse, eggs to be held for the season of minimum production, or to obtain fair prices, or otherwise. Any eggs so stored or warehoused shall be deemed to have been resold at the current market value on the dates of storage, as conclusively determined by the Association; and the sale price, so calculated, shall be added to the receipts from the eggs actually sold during that week, and shall be distributed as part of the weekly receipts as above provided.

Any net gains, after paying all warehousing, transportation, packing, processing, or other charges, interest, taxes, insurance, selling and other costs resulting from the ultimate resale of such eggs by the Association shall be divided proportionately on the basis of the value of the respective deliveries, among the Producers delivering eggs to any pools from which eggs have been taken for storage during the period in which such eggs are customarily stored, all as determined conclusively by the Association.

Any losses, after paying all of the above charges, resulting from the ultimate resale of such eggs by the Association not charged to reserve for contingencies shall be chargeable against and be paid by the Producers proportionately, on the basis of the value of the respective deliveries of the Producers delivering eggs to any pools from which eggs have been taken for storage, during the period when such eggs are customarily stored, all as determined conclusively by the Association.

(c) The Association, in its discretion, may ship any of the eggs delivered hereunder, to any market where, in its judgment, fair prices may be obtained therefor.

Any eggs so shipped shall be deemed to have been resold at the current market value on the dates of shipment, as conclusively determined by the Association, and the sale price, so calculated, shall be added to the receipts from the eggs actually sold during that week, and shall be distributed as part of the weekly receipts, as above provided.

Any net gains, after paying or deducting all warehousing, transportation, packing, processing, or other charges, interest, taxes, insurance, selling and other costs and reasonable commercial reserves resulting from the ultimate resale of such eggs by the Association, shall be divided proportionately on the basis of the value of the respective deliveries, among the Producers delivering eggs to the pools from which eggs have been taken for shipment, during the calendar year in which such eggs are shipped, all as determined conclusively by the Association.

Any losses, after paying all of the above charges, resulting from the ultimate resale of such eggs by the Association, not charged to reserve for contingencies shall be chargeable against and be paid by the Producers proportionately, on the basis of the value of the respective deliveries of the Producers delivering the eggs to the pools from which eggs have been taken for shipment during the calendar year when such eggs are shipped, all as determined conclusively by the Association.

(d) The Association, in its discretion, may sell or consign any of the eggs to hotels, restaurants, retail stores, or other large users of eggs, and the costs of such business, as determined conclusively by the Association, shall be charged against the proceeds therefrom in addition to the deductions provided in paragraph 2 (a) hereof, before the receipts are mingled

with the total weekly receipts for distribution among the Producers hereunder.

(e) The Producer agrees that the Association may handle and market the eggs, some in one way, and some in another, all in its sole and exclusive discretion.

(f) The Association may sell all or any of the eggs delivered hereunder to or through any agency now established, or hereafter established, for the co-operative marketing of eggs and poultry products in this, or any other State or group of States, or elsewhere, and under such conditions as will serve the joint interest of the Producers and the public; and any proportionate expenses connected therewith shall be deducted together with the deductions provided for in paragraph 2 (a).

(g) The Producer agrees that the Association, as the actual owner of the eggs hereunder, may borrow money thereon, and exercise any and every right of ownership thereof.

4.—(a) The Association shall be the sole judge of the standard, quality and grade of the eggs, and shall adopt such methods of standardization as will be the most advantageous in general.

(b) The Association may make rules and regulations for and provide inspectors to standardize the quality, method and manner of handling, packing, and shipping of eggs for any purpose; and the Producer agrees to observe and perform any such rules and regulations prescribed by the Association.

(c) All eggs delivered to or at the order of the Association hereunder shall be of the standard and conform to the regulations as to quality, and otherwise, that may be prescribed by the State and Federal authorities, or the Association.

(d) Any deduction, or allowance, or loss, or expense that the Association, in its discretion, may make, or suffer, or incur on account of eggs of inferior quality or standard, or undesirable conditions, as determined by the Association, shall be charged against the Producer delivering same, to be deducted from his net returns hereunder.

(e) The Producer expressly agrees that all eggs delivered hereunder shall be free from damage of any kind, and in good marketable and merchantable condition, and shall be delivered to the Association as, when, and where it shall direct.

5.—(a) This agreement shall be binding upon the Producer during the term hereof, as long as he is a poultry producer, or possesses any legal interest in poultry, or poultry products, and he shall be obligated by all the terms hereof for any eggs produced or acquired by or for him in California.

(b) Any transfer of poultry or of poultry farms by the Producer to any relative of any degree, or to any person in trust, during the term hereof, shall be deemed to have been made subject to and conditional upon compliance with all of the terms hereof by any such transferee, and such compliance is a continuing obligation of the Producer, and in the event that the Producer fails to secure delivery of the eggs produced by said poultry, or on said poultry farm, to the Association, the Producer agrees to pay to the Association the liquidated damages herein provided for. If the Producer ceases to be a member of the Association because of expulsion, withdrawal, forfeiture of membership, or for any other reason whatever, then and in such event the Association may at its option terminate this agreement.

6. The Producer shall have the right, without charge, to use or sell eggs for hatching, and shall report fully all such sales on forms provided by the Association when and as requested by the Association.

7. This agreement is one of a series generally similar in terms, comprising, with all such agreements, signed by the individual Producers, one single contract between the Association and the said Producers, mutually and individually obligated under all of the terms thereof, excepting individual withdrawals, as provided in paragraph 8. The

Association shall be deemed to be acting in its own name, for and in the interest of all such Producers, in any action or legal proceeding on, or arising out of, this contract.

8. If the Association brings any action to enforce any provisions hereof, or to secure specific performance hereof, or to collect damages of any kind for any breach hereof, the Producer agrees to pay to the Association all costs of court, costs for bonds, and otherwise, expenses of travel, and all expenses arising out of, or caused by, the litigation, and any reasonable attorney's fee expended or incurred by it in any such proceedings. Such costs and expenses shall be included in the judgment obtained by the Association against the Producer and shall be secured by any lien securing any payment hereunder.

9. The Producer agrees that, in the event of a breach by him of any material provision hereof, particularly as to delivery or marketing of any eggs, other than to or through the Association, the Association shall, upon proper action instituted by it, be entitled to an injunction to prevent further breach hereof, and a decree for specific performance hereof, according to the terms of this agreement; and the Association and Producer expressly agree that this agreement is not a contract for personal service, or demanding exceptional capacity or talents, and that this is a contract for the purchase and sale of personal property under special conditions and circumstances; and that the Association limits its purchase of eggs to Producers co-operating with it under this form of contract, and cannot go out into the open market to buy eggs to replace any which the Producer may fail to deliver; and that this contract will be the proper subject for the remedy of specific performance, in the event of a breach thereof; and the Producer hereby waives any defence of lack of mutuality of remedy, and asserts that he has the very same remedies, through the Association, against every other member of the Association.

10. Inasmuch as it is now and ever will be impracticable and extremely difficult to determine the actual damage resulting to the Association should the Producer fail to deliver to the Association all of the eggs herein agreed to be delivered, the Producer hereby agrees to pay to the Association seven cents for each dozen eggs sold, consigned, delivered, or marketed by or for him, and so undelivered to the Association, as liquidated damages for the breach of this contract in that regard, all parties agreeing that this contract is one of a series dependent for its true value upon the adherence of each and all of the contracting parties to each and all of the said contracts.

11. The parties expressly agree that there are no oral or other agreements, understandings, or conditions between them, in addition to those herein set forth, and that this contract represents the intent of both parties clearly, thoroughly, and completely.

Read, considered and signed by the Producer this.....day of
....., 19....., at.....California.

Producer

(Sign Here)

Route..... Box No.

Town.....

Regular delivery or shipping station

Number of Hens

Do not sign without reading.

POULTRY PRODUCERS OF CENTRAL CALIFORNIA,

By.....

APPENDIX 10.—State of New York.—An Act authorizing the formation of non-profit co-operative associations with or without capital stock to promote the orderly marketing of agricultural products through co-operation, and defining their powers and duties. March, 1924.

The People of the State of New York, represented in Senate and Assembly do enact as follows :

Section 1. Declaration of policy.—(a) In order to promote, foster and encourage the intelligent and orderly marketing of agricultural products through co-operation; and to eliminate speculation and waste; and to make the distribution of agricultural products between producer and consumer as direct as can be efficiently done; and to stabilize the marketing of agricultural products; and to provide for the organization and incorporation of co-operative marketing associations for the marketing of such products, this act is passed.

§ 2. Definitions.—As used in this act: (a) The term "agricultural products" shall include horticultural, viticultural, dairy, livestock, poultry, bee and any farm products.

(b) The term "member" shall include actual members of associations without capital stock and holders of common stock in associations organized with capital stock.

(c) The term "association" means any corporation organized under this act.

(d) The term "person" shall include individuals, partnerships, corporations and associations whether organized under the laws of this or any other state.

This act shall be known as "The Co-operative Marketing Act."

§ 3. Who may organize.—Seven or more natural persons, a majority of whom are residents and citizens of this State, engaged in the production of agricultural products, may form a non-profit, co-operative association, with or without capital stock, under the provisions of this act.

§ 4. Purposes.—An association may be organized to engage in the marketing or selling of the agricultural products of its members, and in connection therewith in any one or more of the following activities (a) the harvesting, preserving, drying, processing, manufacturing, blending, canning, packing, grading, storing, handling, shipping, or utilization thereof; (b) the manufacturing or marketing of the by-products thereof; (c) the selling or supplying to its members of machinery, equipment or supplies; and (d) the financing of the above enumerated activities.

§ 5. Powers.—Each association incorporated under this act shall have the following additional powers:

(a) To limit its activities to the handling or the marketing of products of its own members; or to handle the products of non-members, but in such case such non-members' products handled in any year must not exceed the total of similar products handled by the association for its own members.

(b) To store products of non-members to the extent of the facilities available therefor and not required for its members.

(c) Every such corporation shall have the power to borrow money and contract debts, when necessary for the transaction of its business, or for the exercise of its corporate rights, privileges or franchises, or for any other lawful purpose of incorporation; and it may issue and dispose of its obligations for any amount so borrowed, and may mortgage its property and franchises to secure the payment of such obligations, or of any debt contracted for such purposes.

(d) To make advance payments or loans to members.

(e) To act as the agent or representative of any member or members in any of the above-mentioned activities.

(f) To purchase or otherwise acquire; and to hold, own and exercise all rights of ownership in; and to sell, transfer or pledge, shares of capital stock or bonds of any corporation or association engaged in any directly related activity or in the warehousing or handling or marketing of any of the products handled by the association.

(g) To establish reserves and to invest the funds thereof in bonds or in such other property as may be provided in the by-laws.

(h) To buy, hold and exercise all privileges of ownership over such real or personal property as may be necessary or convenient for the conduct and operation of any of the business of the association, or incidental thereto.

(i) To establish, secure, own and develop patents, trade marks and copy-rights.

(j) To do each and every thing necessary, suitable or proper for the accomplishment of any one of the purposes or the attainment of any one or more of the objects herein enumerated; and to contract accordingly; and to exercise and possess all powers, rights and privileges necessary or incidental to the purposes for which the association is organized or to the activities in which it is engaged; and in addition thereto, any other rights, powers and privileges conferred by the stock or membership corporation law on corporations, except such as are inconsistent with the express provisions of this act.

(k) To mortgage its property, real or personal, on the adoption by the board of directors by a majority vote thereof of a resolution authorizing the same and the approval of the supreme court of the judicial district in which such corporation has its place of business. Such approval shall be obtained in the same manner as is provided by law for the approval of mortgages on the real or personal property of membership corporations.

§ 6. Members.—(a) Subject to the terms and conditions prescribed in the by-laws, an association may admit as members only persons engaged in the production of the agricultural products to be handled by or through the association, including the lessees and tenants of land used for the production of such products and any lessors and landlords who receive as rent all or any part of the crop raised on the leased premises.

(b) If a member of a non-stock association be other than a natural person, such member may be represented by any individual, associate, officer or manager or member thereof, duly authorized in writing.

(c) An association organized hereunder may become a member or stockholder of any other association or associations organized hereunder.

§ 7. Certificate of incorporation.—Each association formed under this act must prepare and file a certificate of incorporation which shall be entitled and endorsed "certificate of incorporation of..... pursuant to the co-operative marketing act," and which shall state:

(a) The name of the association, which shall include the word "co-operative."

(b) The purposes for which it is formed.

(c) The place where its principal business will be transacted.

(d) Its duration.

(e) The number of its directors, not less than five; the term of office of such directors; and the names and addresses of those who are to serve as directors until the first annual meeting or until the election and qualification of their successors.

(f) If organized without capital stock, whether the property rights and interest of each member shall be equal or unequal; and if unequal, the general rule or rules applicable to all members by which the property rights and interests, respectively, of each member shall be determined and fixed; and provision for the admission of new members from time to time and the general rule or rules by which the property rights of such new members may be determined and fixed. This provision shall not be repealed or amended except on the affirmative vote of three-fourths of the members voting thereon at a meeting held after due notice in writing

which shall set forth accurately the purpose for which such meeting is called, at which not less than ten per centum of all the members vote, personally or by mail.

(g) If organized with capital stock, the amount thereof and the number and par value of the shares of which it is to consist.

The capital stock may be divided into preferred and common stock. Preferred stockholders shall not be entitled to vote. If so divided, the articles of incorporation must contain a statement of the number of shares of stock to which preference is granted and the number of shares to which no preference is granted and the nature and definite extent of the preference and privileges granted to each.

The certificate must be subscribed and acknowledged by the incorporators, shall be filed in accordance with the provisions of the general corporation law and a certified copy thereof shall be filed with the department of farms and markets."

§ 8. Amendments to certificate of incorporation.—The certificate of incorporation may be altered or amended at any regular meeting or any special meeting called for that purpose. Such certificate shall not be amended except on the approval of two-thirds of the directors and on the affirmative vote of three-fourths of the members voting thereon at a meeting held after due notice in writing which shall set forth accurately the purpose for which such meeting is called, at which not less than ten per centum of all the members vote, personally or by mail. A certificate of such amendment shall be filed which shall be subscribed and acknowledged by the president or a vice-president and the secretary or assistant secretary, who shall make and annex an affidavit stating that they have been authorized to execute and file such certificate by the votes required by this section, and in the manner prescribed by this section.

§ 9. By-laws.—An association incorporated under this act shall within thirty days after its incorporation, adopt by-laws, not inconsistent with this act. Such by-laws shall not be adopted, repealed or amended except on the affirmative vote of three-fourths of the members voting thereon at a meeting held after due notice in writing which shall set forth accurately the purpose for which such meeting is called, at which not less than ten per centum of all the members vote, personally or by mail. Such by-laws, may provide for any or all of the following matters:

- (a) The time, place and manner of calling and conducting its meetings.
- (b) The number of stockholders or members constituting a quorum.
- (c) The right of members to vote in person or by mail or by delegate as provided in section twelve, or by any or all of these methods.
- (d) The number of directors constituting a quorum.
- (e) The qualifications, compensation and duties and term of office of directors and officers; time of their election and the mode and manner of giving notice thereof.
- (f) Penalties for violations of the by-laws.
- (g) The amount of entrance, organization and membership fees, if any, the manner and method of collection of the same; and the purposes for which they may be used.
- (h) The amount which each member shall be required to pay annually or from time to time, if at all, to carry on the business of the association; the charge, if any, to be paid by each member for services rendered by the association to him and the time of payment and the manner of collection; and the form of the marketing contract between the association and its members.
- (i) The number and qualifications of members of the association and the conditions precedent to membership or ownership of common stock; the method, time and manner of permitting members to withdraw or the holders of stock to transfer their stock; the manner of assignment and transfer of the interest of members and of the shares of stock; the conditions upon which and time when membership of any member shall cease; the automatic suspension of the rights of a member when he ceases to be

eligible to membership in the association; and the mode, manner and effect of the expulsion of a member; the manner of determining by appraisal the value of a member's interest and provision for its purchase by the association upon the death or withdrawal of a member or upon the expulsion of a member or forfeiture of his membership, or, at the option of the association, the purchase. In case of the withdrawal or expulsion of a member, the board of directors shall equitably and conclusively appraise his property interests in the association and shall fix the value thereof in money, which shall be paid to him within one year after such expulsion or withdrawal. Where the member has merely a nominal property interest no appraisal shall be necessary.

§ 10. General and special meetings; how called. The by-laws shall provide for one or more regular meetings in each year. The board of directors shall have the right to call a special meeting at any time; and ten per centum of the members may file a petition stating specific business to be brought before the association and demand a special meeting. Such meetings must thereupon be called by the directors. Notice of all meetings, together with the statement of the purposes thereof, shall be given to each member by mail and in case of a meeting to consider changes in the certificate of incorporation or by-laws, such notice shall be given at least ten days prior to the meeting; provided, however, that the by-laws in lieu of notice by mail, may require that notice of any such meeting be given by publication in a newspaper or other publication regularly issued by the association and sent to all of its members.

§ 11. Directors; election.—The affairs of the association shall be managed by a board of not less than five directors, elected by the members from their own number. The by-laws may provide: (a) that the territory in which the association has members shall be divided into districts and that the directors shall be elected according to such districts, either directly or by district delegates elected by the members in that district. In such case the by-laws shall specify the number of directors to be elected by each district, the manner and method of apportioning the directors and districting the territory covered by the association. (b) that primary elections shall be held in each district to elect the directors apportioned to such district and that the result of all such primary elections may be ratified by the next regular meeting of the association or may be considered final as to the association. In the case of an association having members in and operating in more than one county and having local associations affiliated with it, the by-laws may prescribe a method for election of directors through receipt of the ballots of the members in any local association at a meeting of the local association and for the canvass of the same at such meeting and the transmission of such ballots and canvass certified as provided by the by-laws to the annual meeting of the association. (c) that one or more directors may be appointed by any public official or commission or by the other directors selected by the members or their delegates. Such directors shall represent primarily the interest of the general public in such associations. The directors so appointed need not be members of the association and shall not constitute more than one-fifth of the entire number of directors; but shall have the same powers and rights as other directors.

Associations having members in and operating in more than one county and having affiliated local associations of its members, may provide for a method of voting by election of a delegate from each of such local associations who shall represent the members of such local associations in the meetings of the association with such powers and representation as may be prescribed by the by-laws and in such case a vote by such delegate shall be deemed a vote by all of the members of the local association who were present and voted in person at such local meeting.

An association may provide a fair remuneration for the time actually spent by its officers and directors in its service and for the service of the members of its executive committee. No director shall be a party

to a contract for profit with the association which in substance shall differ in any way from similar contracts with members of the association of others, or which shall vary from terms generally current in the district.

The by-laws shall provide that no director shall occupy any position in the association on regular salary or substantially full time pay, except the president, secretary, treasurer or member of the executive committee.

The by-laws may provide for an executive committee to be selected by the board of directors from its members, and may delegate to such committee between meetings of the board of directors, subject to the general direction and control of the board.

When a vacancy on the board of directors occurs other than by expiration of term, the remaining members of the board, by a majority vote, shall fill the vacancy, unless the by-laws provide for an election of directors by districts. In such a case the board of directors shall immediately call a special meeting of the members in that district to fill the vacancy.

§ 12. Election of officer.—The directors shall elect from their number a president and one or more vice-presidents. They shall also elect a secretary and a treasurer, who need not be directors or members of the association; and they may combine the two latter offices and designate the combined office as secretary-treasurer; or unite both functions and titles in one person. The treasurer may be a bank or trust company. The by-laws may provide for removal of officers by directors.

§ 13. Officers, employees and agents to be bonded.—Every officer, employee and agent, other than a bank or trust company, handling funds or negotiable instruments or property of or for any association created hereunder shall be required to execute and deliver to the association adequate bonds to be approved by the board of directors for the faithful performance of his duties and obligations.

§ 14. Stock, membership certificates, when issued, voting, liability, limitations on transfer and ownership. A member of an association without capital stock, who has paid his membership in full, shall receive a certificate of membership.

No association shall issue stock to a member until it has been fully paid for. The promissory notes of the members may be accepted by the association as full or partial payment. The association shall hold the stock as security for the payment of the note; but such retention as security shall not affect the member's right to vote unless said notes are past due.

No member shall be liable for the debts of the association to an amount exceeding the sum remaining unpaid on his membership fee, if any, or his subscription to the capital stock, including any unpaid balance on any promissory notes given in payment thereof.

In an association of less than twenty members, no stockholders of the association shall own more than one-third of its capital stock and in an association with twenty or more members, no stockholder shall own more than one-twentieth of the capital stock. An association in its by-laws may limit the amount of stock which one member may own, to an amount less than one-twentieth of the common stock. The association shall limit its dividends on stock to an amount not greater than eight per centum per annum; and all other net income, less specified reserves not in excess of two per centum per annum of its total net income, shall be distributed among its members only on the basis of patronage.

No member in any association shall be entitled to more than one vote.

Preferred stock may be sold to any person, member or non-member, and may be redeemable or retirable by the association on such terms and conditions as may be provided for by the certificate of incorporation and printed on the stock certificate. The by-laws shall prohibit the transfer of the common stock of the association to persons not engaged in the production of the agricultural products handled by the association; and such restrictions must be printed upon every certificate of such stock.

At any time, as specified by the by-laws, except when its capital is

impaired thereby and the debts of the association exceed fifty per centum of the assets thereof, the association may purchase its common stock at the book value thereof, as conclusively determined by the board of directors, and pay for it in cash within one year thereafter.

§ 15. Removal of officer or director.—Any member may bring charges against a director by filing them in writing with the secretary of the association, together with a petition signed by five per centum of the members, requesting the removal of the director in question. The removal shall be voted upon at the next regular or special meeting of the association, and the association may remove the director and fill the vacancy by the affirmative vote of three-fourths of the members voting thereon at a meeting held after due notice in writing which shall set forth accurately the purpose for which such meeting is called at which not less than ten per centum of all the members vote, personally or by mail. The director against whom such charges have been brought shall be informed thereof in writing previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present witnesses; and the person or persons bringing the charges against him shall have the same opportunity.

In case the by-laws provide for election of directors by districts with primary elections in each district, then the petition for removal of a director must be signed by twenty per centum of the members residing in the district from which he was elected. The board of directors must call a special meeting of the members residing in that district to consider the removal of the director; and, by a vote of the majority of the members of that district voting thereon, such director shall be removed from office.

§ 16. Referendum.—Upon demand of one-third of the entire board of directors, made and recorded at the same meeting at which any matter of policy that has been approved or passed by the board, such matter must be referred to the entire membership for decision at the next special or regular meeting; and a special meeting may be called for the purpose.

§ 17. Marketing contract.—The association and its members may make and execute marketing contracts, requiring the members to sell, for any period of time, not in excess of five years, all or any specified part of their agricultural products or specified commodities exclusively to or through the association, or any facilities to be created by the association. Such contracts instead of being for a definite period of time may provide that they shall continue in force unless one of the parties shall withdraw and cancel same after a period of time not exceeding five years by giving notice of such withdrawal and cancellation to the other party. If members contract a sale to the association, title to the products, except for landlords' liens and liens duly filed or recorded to the association upon delivery; or such title may so pass at any other time as shall be specified in the contract. The contracts may provide among other things, that the association may sell or re-sell the products delivered by its members, with or without taking title thereto; and pay over to its members the re-sale price, or pool price in case of pooling of sales, after deducting all necessary selling, over head and other costs and expenses, including interest or dividends on stock, not exceeding eight per centum per annum, and any other deductions.

§ 18. Remedies for breach of contract.—(a) The by-laws or the marketing contract may fix, as liquidated damages, which shall not be regarded as penalties, specific sums to be paid by the members to the association upon the breach of any provision of the marketing contract regarding the sale or delivery or withholding of products; and may further provide that the member who breaks his contract will pay all costs, premiums for bonds, expenses and fees, in case any action is brought upon the contract by the association.

(b) In the event of any such breach or threatened breach of such marketing contract by a member, the association shall be entitled to an injunction to prevent the further breach of the contract and to a

decree of specific performance thereof. Pending the adjudication of such an action and upon filing a verified complaint showing the breach or threatened breach, and upon filing a bond in such form and amount as may be approved by the court, the association shall be entitled to a temporary restraining order and preliminary injunction against the member.

§ 19. Purchasing business of other associations, persons, firms or corporations, payment, stock issued.—Whenever an association, organized hereunder with preferred capital stock, shall purchase the stock or any property, or any interest in any property of any person, firm or corporation or association, it may discharge the obligations so incurred, wholly or in part, by exchanging for the acquired interest, shares of its preferred capital stock to an amount which at par value would equal the fair market value of the stock or interest so purchased, as determined by the board of directors. In such case transfer to the association of the stock or interest purchased shall be equivalent to payment in cash for the shares of stock issued.

§ 20. Annual reports.—Each association formed under this act, within ninety days after the close of its fiscal year, shall file with the department of farms and markets an annual report on forms to be furnished by the commissioner of farms and markets containing the name of the association; its place of business; and a general statement of its business operations during the fiscal year, showing the amount of capital stock paid up and the number of stockholders, if a stock corporation, or the number of members and amount of membership fees received, if a non-stock corporation; the total expenses of operations; the amount of its indebtedness or liabilities, and its balance sheet. Failure to file such report shall subject the president and treasurer of the association to a penalty of five hundred dollars to be recovered by any member of the association.

§ 21. Contracts and agreements with other associations.—Any association may, upon resolution adopted by its board of directors, enter into all necessary and proper contracts and agreements and make all necessary and proper stipulations, agreements and contracts and arrangements with any other co-operative corporation, association or associations, formed in this or in any other state, for the co-operative and more economical carrying on of its business or any part or parts thereof. Any two or more associations may, by agreement between them, unite in employing and using or may separately employ and use the same personnel, methods, means and agencies for carrying on and conducting their respective business.

§ 22. Rights and remedies apply to similar associations of other States.—Any corporation or association, heretofore or hereafter organized under similar laws of another State, shall be allowed to carry on any proper activities, operations and functions in this State, upon compliance with the legal requirements applicable to foreign corporations desiring to do business in this State, and all contracts which could be made by any association incorporated hereunder, made by or with such foreign association shall be legal and valid and enforceable in this State with all of the remedies set forth in this act. Any such corporation or association shall file a certified copy of its articles of incorporation and annual reports as provided herein with the department of farms and markets.

§ 23. Corporations and associations heretofore organized may adopt the provisions of this act.—By the affirmative vote of three-fourths of the members voting thereon at a meeting held after due notice in writing which shall set forth accurately the purpose for which such meeting is called, at which not less than ten per centum of all the members vote, personally or by mail, held after due notice in writing which shall set forth accurately the purpose for which such meeting is called, any co-operative corporation or association organized under any other statute may be brought under the provisions of this act by limiting its membership and adopting the other restrictions as provided herein; provided, however,

that members or stockholders of corporations or associations which may accept the provisions of this section shall not be required to execute marketing contracts with such corporations or associations, to sell their farm products to or through the same, or to pay annual dues. Such corporation or association shall make out in duplicate a statement signed and sworn to by its directors to the effect that the corporation or association has, by the required vote of the stockholders or members, decided to accept the benefits of and be bound by the provisions of this act. Thereupon a certificate of incorporation shall be filed as required in section eight, subscribed and acknowledged by the members of the then board of directors. The filing fee shall be the same as for filing an amendment to articles of incorporation.

In the case of any existing association organized under article thirteen(a) of the membership corporations law or other existing or prior co-operative statute which incorporates under this act as provided in this section, its existing marketing contracts with producers shall continue in force until abrogated as provided in said contracts and the validity thereof shall not be affected by such re-incorporation.

§ 24. Misdemeanour to spread false reports about the finances or management thereof.—Any person who maliciously and knowingly spreads false reports about the finances or management or activity of an association organized hereunder or organized under a similar statute of another state, and operating in this State under due authority shall be guilty of a misdemeanour and be subject to a fine of not less than one hundred dollars and not more than one thousand dollars for each such offence; and shall be liable to the association aggrieved in a civil suit in the penal sum of five hundred dollars for each such offence.

§ 25. Liability for damage for encouraging or permitting delivery of products in violation of marketing agreements.—Any person, firm or corporation who solicits or persuades or aids or abets any member of any association organized hereunder to breach his marketing contract with the association by accepting or receiving such member's products for sale or for auction or for display for sale, contrary to the terms of any marketing agreement of which said person or any active officer or manager of the said corporation has knowledge or notice, shall be liable, in the penal sum of one hundred dollars for each contract, to the association aggrieved in a civil suit for damages; and such association shall be entitled to an injunction against such person, firm or corporation to prevent further breaches.

§ 26. Associations are not in restraint of trade.—No association organized hereunder and complying with the terms hereof shall be deemed to be a conspiracy or a combination in restraint of trade or an illegal monopoly; or an attempt to lessen competition or to fix prices arbitrarily, nor shall the marketing contracts and agreements between the association and its members or any agreements authorized in this act be considered illegal as such or in unlawful restraint of trade or as part of a conspiracy or combination to accomplish an improper or illegal purpose.

§ 27. Constitutionality.—If any section of this act shall be declared unconstitutional for any reason, the remainder of this act shall not be affected thereby.

§ 28. Application of other laws.—The provisions of the corporate laws of this state and all powers and rights thereunder, shall apply to the associations organized hereunder, except where such provisions are in conflict with or inconsistent with the express provisions of this act; provided, however, that nothing in this act shall be construed as repealing or modifying the law under which existing co-operative companies or associations are now organized. But nothing herein contained shall authorize an association organized hereunder to do in this state any business for which a corporation may be formed under or pursuant to

the banking law, the insurance law, the railroad law or the transportation corporations law.

§ 29. Annual licence fees.—Each association organized hereunder shall pay to the State tax commission an annual fee of ten dollars, in lieu of all franchise or licence or corporation taxes.

§ 30. Filing fees.—For filing a certificate of incorporation, an association organized hereunder shall pay ten dollars; and for filing an amendment to a certificate two dollars and fifty cents.

§ 31. This act shall take effect immediately.

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MINISTRY OF AGRICULTURE AND FISHERIES.

Report
on
Agricultural Credit.

LONDON:

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The importance of adopting some means whereby additional credit resources should be placed at the disposal of agriculture has been pressed on the Ministry for several years, and a number of suggestions and recommendations have been made on the subject, notably in both the Majority and Minority Reports of the Agricultural Tribunal in 1924. Prior to that an attempt had been made in the Agricultural Credits Act of 1923 to meet to some extent the requirements of farmers both as regards long and short-term credit. This Act had, however, only a limited application as regards long-term credit and as regards short-term credit the facilities offered did not meet with much acceptance, so that the Act has not been operative to any large extent.

As the whole question of agricultural credit appeared to need further investigation, the Ministry instructed one of its officers, Mr. R. R. Enfield, to prepare a report reviewing the matter particularly in its economic aspects.

The present Report is the result, and is issued by the Ministry as a basis for further consideration and discussion.

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CHAPTER I.—THE PROBLEM OF CAPITALISATION.

“The farm is an enterprise which is not financed or managed on the joint stock plan. It depends mainly on the resources and administration of one man. The tenant farmer has in his landlord a partner who is responsible for some of the capital and who has powers of supervision. But the active work of farming depends mainly on the farmer and his resources. There is very little joint stock in agriculture. It consists of a number of relatively small enterprises, the success of which depends on there being an adequate agricultural substitute for the industrial joint stock method of obtaining working as well as initial capital. This is the problem of agricultural credit.”*

(1) Credit, and the machinery of borrowing and lending now form an integral part of the industrial system of all civilised countries, but in almost every agricultural country, credit for agriculture has come to be treated as a special question requiring in many cases special organisation and, generally, special legislation. It is worth while to consider what are the reasons which have led to the adoption of these special measures. Is farming so different from other forms of productive industry as to place it in a different category? Are the ordinary credit facilities available for other traders unsuitable or inadequate in the case of agriculture? In short, the first question to be answered, is—why is there a problem of agricultural credit at all?

(2) Superficially, many of the conditions which surround agricultural enterprise strike the most casual observer as placing it in sharp contrast with other businesses—its extended character, its comparative remoteness from the towns, the primitive nature of its processes. But to realise the fundamental difference in the financial structure of modern agriculture in contrast with modern manufacture we must look to the course which the evolution of capitalist enterprise has followed during the last hundred years.

(3) Until the close of the eighteenth century the capital employed by an individual trader—manufacturer or merchant—was usually his own, but with the coming of the Industrial Revolution these conditions began to disappear. The nineteenth century called forth a dual tendency in industrial organisation—(1) a movement towards the concentration of production and (2) a movement towards a more and more extended use of the savings of the private investor. With the invention of mechanical power and the progress of machinery, the economic advantages of concentrating production in larger units became more apparent. The large manufacturing business grew up and displaced the local workshop, developing a system of production

* Prof. D. H. MacGregor. Final Report of the Agricultural Tribunal of Investigation, p. 104.

in which specialized manufacturing processes were adopted and costly plant and machinery employed. Producers ceased to carry on production as independent individuals and tended to unite together for a common end in enterprises jointly owned.*

(4) Partly, however, as the result of restrictive legislation the growth of corporate enterprise in the first half of the nineteenth century was slow, and, except for the chartered companies of much earlier date, such as the East India Company and the Hudson Bay Company, comparatively few joint stock undertakings were formed. The National Debt remained the chief opportunity for the investor who did not wish to take an active part in the management of his property. But towards the middle of the century the revolution in transport, involving a wide extension of canals and railways, coupled with amendments and extensions of the existing company law, gave both new openings for capital and new facilities for joint stock enterprise. From this point onwards joint stock companies took a progressively larger place in manufacture and private productive undertakings a progressively smaller place. Furthermore, after the conclusion of the Napoleonic wars, public borrowing had diminished, and investors turned more readily to industry as a profitable means of investing savings.

(5) During the last part of the nineteenth century concentration into large units became the salient feature of industrial development throughout the civilized world. As regards Great Britain, in transport, mining, textiles, milling, brewing, chemicals, leather, glass, pottery, paper and other branches of manufacture, and also in banking and insurance the same progress was manifest. But this was not all. Side by side with it there took place important developments in the means through which savings were obtained and utilised for industrial purposes. Investment in industry was facilitated by the development of various classes of shares and securities suited to the needs of investors and, what was perhaps more important, the establishment of numerous markets where these securities were bought and sold. The London Stock Exchange, at first working in an eighteenth-century tavern, in 1801 opened a building of its own, which was enlarged in 1854, and was followed by other exchanges in the principal provincial towns. There was also a wide extension of banking. Although in London there had been a certain development of the deposit and cheque system, English banks, prior to 1830, appear to have depended chiefly on their note issue, but after 1840 considerable increase in joint stock banking took place, and this combined with the restriction of the note issue by the Bank Act of 1844, led rapidly towards the modern system under which bank deposits form the chief means of financing short-term operations.

* In some cases the evolution of big industries has, however, created small workshops for carrying out subsidiary processes or repairs. Examples are to be found in the metal and textile trades.

(6) All this development helped to bring about the establishment of manufacture and other forms of industry, both as regards production and finance, on a highly organised basis, and the effect of the increased concentration both in industry and finance was to render the savings of the public more accessible to enterprises of this kind. In consequence, a great increase in collective methods of production took place in which manufacture became more dependent on capital obtained from persons not directly concerned in its management. These two tendencies, moreover, reacted on one another. On the one hand, by centralisation, by the employment of costly machinery and specialised labour, it became possible for corporate industry to increase output, to reduce costs of production, and to build up a reputation for stability and dividend-earning capacity. On the other hand, as time went on, the investor, guided by the published balance sheets, the reputation of the directors, and the history of the particular undertaking concerned, or of the trade generally, became more ready to invest his savings in industry.

(7) The "company" structure now possesses the greater part of mining, transport, manufacture and banking, and largely upon this basis, the superstructure of finance and credit has been developed in conformity with the needs of industry. It is necessary, however, to bear in mind that, in the last resort, the basis of credit is a psychological one. It is the confidence reposed by the lender in the borrower, and the facility with which a borrower can draw upon the savings of the public, whether directly or indirectly, must ultimately depend upon the degree to which he can inspire a feeling of confidence in himself or in his undertaking. The same applies to investment in shares. In corporate enterprise the mere fact of large scale production, of a number of persons being associated together in a common enterprise, combining their individual resources for the purpose of greater efficiency, and sharing the risks which are unavoidably involved, creates a sense of greater security. Like travellers in an unexplored country, confidence in their success is enhanced, if they travel in an association instead of proceeding independently.

(8) An investor who invests money in a concern to be managed by others must, however, be able to measure not only the confidence he feels in it, but the risk he will incur. In this matter the modifications which have been made in the company law have played an important part. The risk of *unlimited liability* associated with corporate enterprise in the first half of the nineteenth century considerably checked its growth, and it was not until the middle of the century that the principle of *limited liability* was adopted. This proved to be the turning point. It gave to shareholders a definite knowledge of the risk they incurred, and the adoption of this principle consequently gave enormous impetus to the development of joint stock undertakings.

(9) The results have been far-reaching. Whereas in the days of small independent businesses a person could borrow his neighbour's savings by giving a mortgage or other lien on his property, now corporate industry relies less on its tangible assets and more on expectation of future profits for the purpose of attracting the private investor.

"The financial basis of the whole credit system" to quote Mr. J. A. Hobson, "is the estimate of 'earning capacity,' the ability of the actual business apparatus to market goods at such a rate and such a margin over cost as will enable a profit to be paid"

In honest company business, although the form of the capitalisation is to attribute a separate value to the tangible assets—land, buildings, machinery, stock, &c., and the intangible assets such as patents and goodwill, the real valuation of the assets is upon earning capacity. If, as often happens, the tangible assets are valued at cost of production or of replacement, the intangible assets can only be valued by their net productivity, which in its turn can only be estimated by attributing to them all the capital value of the estimated future earnings beyond what is assigned as the cost of the replacement of the tangible assets. Goodwill is indeed the elastic asset commonly used to stretch the capitalisation up to or beyond the limit of the capitalised earning capacity.

A sound estimate of earning capacity is thus the sheet anchor of honest finance in formation of companies."*

(10) To sum up. The nineteenth century has seen not only the growth of large manufacturing units and the development of joint stock companies, but an extension of the facilities through which savings are invested in industry and a widening of the basis upon which such savings are made available. By various means the possibilities of the future are capitalised for the benefit of present enterprise.

(11) It is easy to perceive in the evolution of industry here described a sharp distinction between the economic structure of modern agriculture and that of most other forms of productive industry. The forces leading to concentration have left agriculture practically untouched. It is true that at an earlier date an extension of the size of holdings took place in this country, stimulated by the development of agricultural machinery, and in some of the new countries considerable progress on these lines has been recorded. But this movement has often been counter-balanced by one proceeding in the opposite direction, due to the breaking up of large estates and the development of small holdings. As a producer the farmer has remained mainly dependent on his own resources, and has consequently gained few of the benefits which association in collective joint stock under-

* J. A. Hobson. "Evolution of Modern Capitalisation," p. 243.

takings has given to producers and traders elsewhere. To agriculture the savings of the general community have remained relatively inaccessible.

12. That agriculture has not shared in this general movement is largely explained by the physical nature of the industry. Being scattered over wide areas, physical concentration is precluded, and this without doubt has operated to discourage collective enterprise in the production of agricultural commodities. But this is not to say that there has been no movement towards concentration and no parallel to collective trading in manufacture. While agriculture as a productive industry has remained split up into small units, there has nevertheless been a tendency towards association for specific purposes. For the purchase of farm requisites, for marketing, for insurance, and for other similar objects, collective action has made great advances, particularly during the twentieth century. This is the real counterpart of the industrial development described above, and it has become perhaps the most significant movement in agricultural organisation of modern times. What is of particular importance for the purposes of this enquiry is the development of collective action for the special purpose of credit. The Raiffeisen system which originated in Germany and spread to many other European countries, and other systems of credit based on co-operative principles, were developed in consequence of the recognised disabilities of scattered small-holders, and did, in fact, largely succeed in overcoming them. They performed the immense service to German agriculture of rendering public—or at least rural—savings accessible even to the smallest agriculturist, when previously they had been inaccessible. Combination for the direct purpose of borrowing appears to have done for the farmer what combination for greater productive efficiency had indirectly done for the manufacturer. But in Great Britain, and in some of the new countries, the Raiffeisen system has failed, and to this subject it will be necessary to return at a later stage.

13. We may conclude therefore, from the foregoing, that the special problem of agricultural credit has its roots in this difference in structure between farming and joint stock industry. It is not open to the farmers to "capitalise the future" or to borrow on "estimated earning power," in the manner in which it is open to corporate industry; there is no commercial measure of these things in agriculture acceptable to the ordinary investor. Where, therefore, manufacture raised its capital by subscription, the farmer must raise much of his by credit. Agriculture must fall back on its tangible assets, its land, buildings, stocks and crops. To render these as fully available as possible, as a basis of credit, should be the purpose of an agricultural credit system. In the absence of adequate credit facilities, farming may be impoverished or forced on to a lower level of economic efficiency.

14. But are there, perhaps, other forces even more deep-rooted which, though sometimes escaping attention, are nevertheless operating towards the impoverishment of agriculture?

The system of tenant farming in this country offers facilities to persons to enter the business of farming, inadequately provided with working capital. It is true that since the passing of the Agricultural Holdings Acts it is less easy for a man to become a farmer without capital than formerly, on account of what he must pay for tenant right; nevertheless farming is an occupation that attracts a certain class of people who frequently, if not usually, are short of working capital and whose efficiency is impeded from the outset on this account.

15. Maurice Hewlett, in "Wages and Conditions of Employment in Agriculture" (Cd. 25, 1919), gives a number of instances of farmers who began as labourers. In Cumberland, Northumberland and Westmorland, he found that a considerable proportion of farmers were originally wage-earners. In Glendale (Northumberland), out of 29,000 acres, 17,000 were occupied by men who or whose fathers had been agricultural labourers; while in parts of Devon and Cornwall, where farms are usually small, 40 per cent. of the farmers had been labourers. Most information of this kind is unavoidably of a somewhat vague character, but recently a more accurate investigation into the social origin of farmers in Wales has been made by Mr. A. W. Ashby. Records of the antecedents of over 800 occupiers of farms in Wales and Monmouth were obtained from eleven of the thirteen counties. The results obtained are summarised in the following table, showing the previous occupation of farmers on farms classified by rental value:—

Previous Occupation of Farmers in Wales and Monmouth.

Rent or gross estimated rental of farm.	Agricultural Occupation.		Manual Occupation.		Other Occupations.		Total.
	Farmer's Son.	Farm Worker (Employee).	Other Manual workers generally unskilled.	Artisans.	Requiring Capital.	Not requiring Capital.	
1. £30 and under - - Maximum possible rental £40.	76	79	23	14	2	—	194
2. £31-£49 - - - Maximum possible rental £56.	85	38	16	7	5	4	155
3. £50-£99 - - - Maximum possible rental £133.	241	53	15	6	3	4	322
4. £100-£149 - - Maximum possible rental £200.	86	11	2	1	3	1	104
5. £150 and over - -	49	5	1	1	2	2	59
Total - - -	537	186	56	29	15	11	834
Per cent. - -	64.38	23.3	6.7	3.48	1.8	1.31	100

NOTE.—As stated at head of column 1, "rent" includes some records of "gross estimated rental" as used for rating purposes, as well as actual rents paid. These gross estimated rentals may be lower than the actual rents. The

16. These figures show that approximately 23 per cent. of the total were farm labourers,† and 10 per cent. were employed in other manual occupations. Altogether, about one-quarter to one-third of the present farmers appear to have been wage-earners. Such an influx of farmers with little or no capital also implies a corresponding efflux, since the census shows comparatively little change in the number of farmers and graziers since 1881; it can hardly be doubted that some at least of the "out-going" farmers or their heirs carry with them savings which they have accumulated from their farming activities. Such a process, if repeated generation after generation, obviously implies a loss of capital to the industry as a whole—a loss which is unlikely to be counter-balanced by the adoption of farming by persons of means.

17. Again, the tenant farmer system has behind it a long tradition in the partnership between landlord and tenant, and in times of national prosperity it is a system which on the whole has worked satisfactorily. The position, prestige, and income of landed families alike have depended mainly on the wealth yielded by the land they owned, and landlords have consequently been ready to lay out money in equipment and upkeep of their farms, although, regarded purely as an investment, the return on the capital may not have been so high as elsewhere. But in times of depression, or when, as at present, the burden of taxation has been exceptionally heavy, landowners have often, either by choice or necessity, sought more remunerative fields for investment, and wealth created from the land has begun to flow into other forms of industry, to the ultimate detriment of agriculture. It may be that comparatively slight changes in national prosperity affect the flow of agricultural savings; but it is certain that, when taxation presses with severity upon landowners, it tends to withdraw capital from the industry of farming. Thus, the system of partnership between landlord and tenant, though working in times of prosperity for the promotion of good and efficient husbandry, is fraught with considerable perils in times of low profits and high taxation. Lord Ernle, in the latest edition of his "English Farming Past and Present," expresses the landowner's point of view in the following passages :—

"Financially crippled by recent taxation, landlords are assailed with increasing vehemence. The attack upon the system of land tenure which they represent derives fresh strength from the poverty to which they are reduced by

range of rentals shows the range inclusive of estimated and actual rentals. The "maximum possible rental" shows the maximum, allowing for cases of gross estimated rental being below actual rents, in each group.

† A further analysis of the occupations of the fathers of present farmers suggests that some of these should fall in column 2. For a fuller study of this, see the "Welsh Journal of Agriculture," Vol. 2, 1926—"Social Origin of Welsh Farmers."

increased taxes. They have not the command of money necessary either to give fair play to the system or to supplement it by creating small tenancies. . . .”

“Up to 1889 all the improvements in English farming, which at one time had gained for this country an undisputed supremacy in the art and practice of agriculture, were effected by private capital, by individual enterprise, by personal initiation. Landlords were the pioneers of improvement. . . .”

“Intensive cultivation means the expenditure on the land either of more money or of more labour. The liberal application of capital to land by both owner and occupier was one of the ideals at which high farming aimed from the close of the eighteenth century onwards. Landlords spent their money liberally on the up-to-date equipment of their land with houses, farm buildings, cottages, drainage, fences, roads; mainly by their expenditure, directly or indirectly, prairie land has been converted into agricultural land. Tenants hired the use of all this capital at the moderate rate of interest which is represented by the rent, and spent their own money generously in working their farms so as to obtain the largest possible return. So long as both parties were able to do their part, and so long as prices were remunerative, the system profited both. The nation also benefited by the increased amount and lessened cost of production.”

18. It is not necessary here to discuss the arguments which have been put forward in respect of the alleged unfair incidence of estate duties upon the owners of agricultural land. But it may be worth while to consider briefly the effect of these duties on the capitalisation of agriculture, particularly as regards working capital, which is the crux of the problem of farm finance.

19. As regards the landowner, the effect of estate duties, high income tax and other burdens, not only appears to encourage them to seek more remunerative investments outside agriculture, but often, as is well known, leads to the break up of large estates; the farms are sold, and the tenant farmer is given an option of purchasing or giving up the farm. The movement towards ownership by farmers has received considerable impetus during recent years, approximately 25 per cent. of the acreage of crops and grass being owned by occupiers in 1924, as compared with about 15 per cent. in 1920. It may be the case that this movement is a good thing, and that ownership would afford counter-attractions to persons who otherwise are tempted to enter other forms of business in preference to farming; but a movement of this kind under conditions which practically amount to “force majeure,” is not a good thing. The landowner, compelled to break up the estate, puts his farms on the market; the tenant has the option to buy or quit; he chooses the “lesser of two

evils."* He buys, and mortgages his farm, and thus is stripped of working capital; and his savings in future years, which should go to building up his working capital, are largely absorbed in redeeming the mortgage. Short of this, he is at last forced into the various channels through which money can be borrowed for short periods, and it is easy to see that such conditions, though they may not lead to disaster, may be, and frequently are accompanied by under-farming.

20. To the relatively small farmer-owner, estate duties, judged by their gross amount, fall with less severity. Nevertheless, the economic consequence of estate duties to the small farmer must not be overlooked. In such cases, though not large in amount, they must be met primarily out of the farmer's savings, for it is not easy to dispose of a portion of the farm. Again, therefore, the burden falls upon the working capital, and we are once more brought back to the initial problem of the capitalisation of agriculture referred to above.

21. Questions such as these raise matters of policy with which this report is not directly concerned, but they form what may be called the background of the problem which we have now to examine in its more practical implications. The question of credit cannot be dissociated from that of the general financial structure of the industry. If enquiries reveal forces at work—social or economic—which tend to widen the gap between agriculture and organised industry, to increase the former's economic disabilities or to establish it on a relatively lower level of efficiency, it would be a mistake to ignore the facts.

* Ernle. "English Farming Past and Present," p. 399.

CHAPTER II.—THE NEED FOR CREDIT.

22. The capital needs of agriculture are of two kinds. The first is fixed capital to be sunk permanently or for long periods in the acquisition or improvement of land and the purchase of equipment; the second is working capital to be used for short periods in growing, harvesting and marketing the crops. Agricultural credit is a means of facilitating the flow of capital into agriculture wherever it can be profitably employed for these purposes.

23. In this country the bulk of the fixed capital is held by the landlord, who lends it to the farmer in consideration of a rent. The problem of "long term" credit, therefore, chiefly concerns those farmers who wish to purchase their holdings and those farmers and landlords who require credit for the execution of "permanent" improvements. Working capital, on the other hand, is supplied directly or indirectly by the farmer, and in a country like Great Britain, where tenant farmers greatly outnumber farmer-owners, the provision of working capital is the more important problem of the two. It will be dealt with first in this report. Before the war, it was commonly considered that a farmer should possess working capital for ordinary purposes amounting to about 10*l.* per acre. At the present time, the corresponding figure is about 15*l.* per acre. But it is obvious that this is only an approximation, and that the figure must vary widely with different conditions. In certain circumstances, a farmer may rightly put the whole of the working capital he possesses into farm stock and finance the purchase of farm requisites and the payment of wages by means of credit; in times of emergency such as may be caused by unfavourable seasons or an outbreak of disease, larger amounts of working capital may temporarily be required. Indeed, the fluctuating character of the short-term credit needs of agriculture is a special feature of the problem, and may even add to its difficulties.

24. It is sometimes asked, Will additional credit facilities result in the farmer getting more credit? So much misconception surrounds this matter that it is necessary to state it in more precise terms. The facilities for providing credit merely create a channel through which capital can flow into agriculture; they should not determine the amount of capital employed, any more than the size of the water mains should determine the amount of water consumed in a town. In either case if the channel is too narrow, supply may be restricted (in which case the facilities are inadequate), but if it is wide enough, the amount consumed is determined by the need of consumers. The ideal credit system is therefore one which will enable the economic conditions of the

industry to determine the volume of credit it can employ at the commercial rate of interest.*

25. Although in practice the amount of credit which can be employed on a farm at a profit may be difficult to determine with precision, in theory it is a simple matter. If the machinery of credit permits a comparatively free flow of capital into the industry, then the amount which should be used is that amount which when applied to agriculture will earn a remunerative return, that is to say, will earn a return which will make it profitable to the farmer to hire it from the lender. To attain the highest degree of efficiency, therefore, in the use of borrowed capital, the farmer must know, as accurately as possible, two things about it—firstly, what it costs, and, secondly, what it earns. Unless he knows these things his efficiency will be impaired. A farmer who knows what his capital costs, but who has no measure of what it earns, is an inefficient man of business; but the farmer who knows neither what it costs nor what it earns must be utterly confused by the whole matter, and such men, to the great misfortune and detriment of British agriculture, are only too numerous. If their accounts were fully examined, would it be surprising to learn that there are farmers who are blindly adding to their toil by borrowing capital at 10 per cent. or more, and employing it at 6 per cent.? Such considerations as these are enough to show that knowledge of the cost of credit is the very keystone of a rational credit system. To determine what capital *earns*, on the other hand, or to estimate what it is likely to earn in the future, requires an intelligent application of the principles of cost accounting which is far from a simple matter and very far from a common practice. Agriculture, technically the most difficult industry in the world, is at all times beset with risks from which most other productive industries are relatively free, and this element of risk makes the ordinary methods of forecasting earnings inapplicable to farming. In place of it, the farmer's judgment must be based on a record of past experience—a record long enough to eliminate or minimise the effect of fluctuations. Even then he cannot expect to attain in this matter the accuracy of the manufacturer or other producer in the more stable lines of business. But a costing record spread over a number of years provides a basis—indeed, the only basis—for measuring the economic use of credit, however approximate that measurement must necessarily be.

26. In approaching the subject it is necessary, therefore, to avoid a confusion between the facilities by which credit may be furnished, and the conditions which determine its economic use. This report is not directly concerned with the latter; its object

* Some agriculturists, while urging that the industry is short of capital, express the view that the rate of interest charged to farmers by the banks is too high. This opinion seems either to imply that agriculture cannot employ more capital at the commercial rate of interest, or to be a claim for subsidy at the expense of other industries.

is to examine the former. We have to ascertain whether the mechanism of our present credit system is as efficient as possible, or whether it can be improved so as to permit the economic conditions of farming freely to determine the amount of credit it can employ.

27. It must be admitted, however, that conditions may arise which make this determination an exceptionally difficult matter. They arise where credit is sought to tide farmers over a period of adversity—whatever may be the cause. This is the danger point of any credit system. When the economic conditions of an industry are stable, it may be a relatively easy matter to measure its credit requirements, but when these conditions have been seriously disturbed, as in a time of general depression, and the future prospects are unknown, it becomes a very different matter. In such times credit is often sought as a desperate remedy, and serious mistakes are made not only by borrowers but by lenders.

28. This is a matter of greater moment than may at first sight be apparent and recent history affords a valuable illustration of it. Agriculture in most countries of the world has been passing through an exhausting depression; as was inevitable in such a period, the financial conditions of the industry have been seriously disorganised. In America—the country which has taken a lead in recent years in probing the difficulties of agricultural credit—the ultimate consequences to the industry of the liberal credit facilities obtaining in that country during the last five years have since made many persons pause.

29. In 1917, when the U.S.A. entered the war, they were confronted by an unprecedented European demand for food. Prices rose, and America enjoyed a period of agricultural prosperity without parallel in its history. Every effort was made to extend production, but with the fall in price which began in 1920, coupled with a reduced European demand, agriculture quickly passed from prosperity to depression and an acute crisis developed. Credit resources, which had been extended for the purpose of enabling farmers to increase production, were now called upon to tide the farmer over a period of falling prices in which he was making little profits or no profits at all. The effect of this was in some measure to aggravate and prolong the condition of over-supply which was one of the causes of the low level of agricultural prices. Thousands of farmers were unable to pay off their loans on maturity, so that their debts had to be carried by the banks. Many private and State banks were unable to stand the strain and a large number of them failed during 1921 and later. Enlightened by this experience, many people have come to think that the American farmer has in recent years had more credit than he can digest.

30. A proper understanding of the economic value of credit, judgment and prudence in its use, are, therefore, at the very foundation of any successful credit system. Strained beyond its

proper though restricted purpose, it may become, instead of a help, a burden or even a danger.

Marketing Credit.

31. Among the uses for which working capital is required—which ordinarily includes the purchase of stock, fertilizers, feeding stuffs and other farm requisites, the payment of wages and the execution of minor improvements—is the marketing of agricultural commodities, and the subject of “marketing credit” is therefore an important part of the general credit problem. It is one which has received increasing recognition in agricultural countries during recent years, particularly in the United States of America and Australia.

32. The production of agricultural commodities is mainly intermittent and irregular, which distinguishes the business of farming from a large number of other trades where commodities are produced regularly. On the other hand, food is consumed comparatively evenly throughout the year. If food were thrust on the retail market immediately after production on the farm it would obviously cause the market to be choked and prices to fall—for there would temporarily be a great excess of supply over demand. In practice the delivery of food to the consumer, particularly of non-perishable crops, is delayed, and the extreme gluts and scarcities which would otherwise occur are avoided. As experience has shown, however, they are only partially avoided, and fluctuations in supply, and consequently fluctuations in prices, do very often take place. In the present system of distribution the delivery of food is regulated by certain persons who enter into the distributive chain between farmer and consumer, and who are able to hold the produce in store—the farmer, the merchant, the miller, or the co-operative society—according to the nature of the commodities. Intermediate storage is an essential part of the machinery of distribution. By whom this function should be performed is a question of great and increasing importance to the farmer. In the United States, the word “merchandising” has been applied to the process of orderly marketing of farm products, which often includes intermediate storage. In England the question as to whether merchandising should be done by the farmer or his direct representative, or left to others, is one which will have to be settled. Elsewhere farmers have had to deal with this problem, and at present it confronts the British farmer just as it has done his foreign competitor.

33. In Economic Report No. 2* of this series the problem of marketing is referred to and stress laid on the need for adequate credit facilities to finance an orderly marketing system. This is the part of the question with which this report is concerned, and it is proposed here to consider it in relation both to the

* Report of the Committee on Stabilisation of Agricultural Prices.

marketing of farm produce by the individual farmer and by farmers' co-operative marketing societies. In the business of farming, carried on by a large number of individuals, trading in a relatively small way, marketing is not differentiated from production in the way it often is in other businesses conducted on a larger scale. Where the farmer does his own marketing, and where marketing is treated as one of the operations of the farm, like all others, its efficiency depends on the farmer's supply of working capital. If he is short of working capital, then he is often forced to market his produce immediately, in order to raise the necessary money to carry on productive operations.

34. Two facts have an important bearing on the matter; firstly, the period of turnover in agriculture is long, and towards the end of this period the farmer's financial resources are liable to be strained. Secondly, marketing is largely a seasonal operation. If the farmer is forced on to the market through financial pressure, he is obviously liable to receive for the produce a poor price. To free him from this liability, the farmer has need of marketing credit. In actual practice farmers do at present employ a number of roundabout means of escaping from these difficulties, and these will have to be examined at a later stage. It is essentially a problem of short-term money. But it is not only a question of enabling the farmer to avoid selling in a bad market; it is also one of preventing farmers, acting in aggregate under financial pressure, from themselves creating a bad market.

35. The subject was recently investigated by the National Farmers' Union in regard to the corn crops, and their conclusions are set forth on pp. 175-177 of the Farmer's Union Year Book, 1925. A table is there given based upon the 15 cereal years 1908-9 to 1922-23, giving an index of the quantities and prices of wheat, barley and oats, calculated from the returns made under the Corn Returns Act, 1882. The quantity sold in any month and the average price for the month have been expressed as percentages of the average monthly quantity sold in the same year, and of the average price for the year, respectively. Then for each month an average has been taken of the 15 percentages as regards quantity and as regards price. The result was as follows:—

Month.	Wheat.		Barley.		Oats.	
	Sales.	Price.	Sales.	Price.	Sales.	Price.
September - - -	112	97	82	99	119	97
October - - -	141	95	253	101	155	95
November - - -	128	97	293	102	139	97
December - - -	136	98	211	99	142	98
January - - -	124	99	134	99	141	100
February - - -	142	100	106	98	154	102

Month.	Wheat.		Barley.		Oats.	
	Sales.	Price.	Sales.	Price.	Sales.	Price.
March - - -	127	102	68	96	130	102
April - - -	90	104	27	94	67	102
May - - -	89	107	12	93	58	106
June - - -	48	106	6	93	30	108
July - - -	24	107	2	92	18	108
August - - -	39	107	6	96	47	106

36. These figures show that in October the price of wheat is 5 per cent. below the average while the quantity sold is 41 per cent. above the average. For the four months September—December the price is 3 per cent. below the average while sales are 29 per cent. above. Oats show a similar result, but in the case of barley the highest price coincides with the largest sales. This is due to the fact that the sales of barley immediately after harvest include a large proportion of malting barley which realises a higher price. As the season advances the proportion of this better class barley decreases. The figures for wheat and oats do not disclose any serious glutting of the markets, nor, on the average, a seasonal fall in price which is seriously detrimental to agriculture. Moreover, it is correctly pointed out as regards wheat, that the commodity sold in October is not the same as that sold in April on account of the moisture contained in the grain sold at the earlier date.

37. These valuable figures are not, however, quite conclusive, because they are insufficiently analytical. The statistical method employed is designed more to disclose a *general* cause of price fluctuations than a particular cause. No one who attributes a seasonal fall in wheat prices to financial pressure, or other causes of hasty marketing, would assert that these are general causes in the sense that they apply to agriculture as a whole, every year. Rather is it alleged that they apply to *some* farmers in *some* markets in *some* years. Moreover, in certain years an upward movement in world prices in the autumn might easily obscure the economic consequence of disorderly marketing at home, even though markets might be congested, and in a general analysis of these price movements it would be necessary to eliminate this factor before arriving at a general conclusion. Again the figures based upon returns made under the Corn Returns Act include sales not only by farmers but by corn merchants and dealers, not only at local but at central markets. If a corn factor bought at a low price in a congested local market and resold at a higher figure in a central market, both prices

would be included in the average. To measure the seasonal changes in prices received by farmers it would therefore be necessary to take farmers' primary markets.*

38. The following table compares the "Gazette" prices of British wheat with the average price of Australian, Argentine, and No. 1 Manitoba wheat for each month from January, 1921 to August, 1925. The third column shows the price of British wheat expressed as a percentage of the average price of the imported wheats, thus eliminating the effect of fluctuations in world prices. Variations in this percentage figure must be due to internal conditions—to variations in the quality of the wheat, or to changes in the conditions of supply or demand.

	"Gazette" Average Price of British Wheat.	Average Price of Australian, Argentine and No. 1 Manitoba Wheat.	British expressed as a Percentage of Average of Australian, Argentine and No. 1 Manitoba.
	Cwt. <i>s. d.</i>	Cwt. <i>s. d.</i>	Per Cent.
1921.			
January - - -	19 11	24 1	82·7
February - - -	18 5	20 5	90·2
March - - -	18 10	19 6	96·6
April - - -	20 6	20 0	102·5
May - - -	20 4	18 11	107·5
June - - -	20 10	19 2	108·7
July - - -	19 8	18 9	104·9
August - - -	15 11	18 10	84·5
September - - -	13 8	19 0	71·9
October - - -	12 0	15 3	78·7
November - - -	10 6	12 7	83·4
December - - -	10 8	12 9	83·7
1922.			
January - - -	10 7	12 6	84·7
February - - -	11 1	13 0	85·3
March - - -	12 4	14 6	85·1
April - - -	12 0	13 9	87·3
May - - -	12 11	14 1	91·7
June - - -	12 8	13 1	96·8
July - - -	12 5	13 4	93·1
August - - -	12 3	12 10	95·5
September - - -	9 2	12 0	76·4
October - - -	9 3	12 7	73·5
November - - -	9 10	12 9	77·1
December - - -	9 8	12 3	78·9

* Cf. Report of the Committee on Stabilisation of Agricultural Prices (Economic Series No. 2), p. 45, giving weekly prices of wheat in King's Lynn market.

	"Gazette" Average Price of British Wheat.	Average Price of Australian, Argentine and No. 1 Manitoba Wheat.	British expressed as a Percentage of Average of Australian, Argentine and No. 1 Manitoba.
	Cwt. <i>s. d.</i>	Cwt. <i>s. d.</i>	Per cent.
1923.			
January - - -	9 9	12 0	81.2
February - - -	9 5	11 7	81.3
March - - -	9 5	11 5	82.5
April - - -	9 10	11 9	83.7
May - - -	10 10	12 3	88.4
June - - -	10 11	11 8	93.6
July - - -	11 3	11 3	100.0
August - - -	10 4	11 0	93.9
September - - -	8 11	10 11	81.7
October - - -	8 11	10 10	82.3
November - - -	9 2	10 10	84.6
December - - -	9 9	10 10	90.0
1924.			
January - - -	9 10	11 0	89.4
February - - -	10 8	11 8	91.4
March - - -	10 10	11 3	96.3
April - - -	10 6	10 11	96.2
May - - -	10 11	11 1	98.5
June - - -	11 3	11 5	98.5
July - - -	11 11	12 6	95.3
August - - -	12 9	13 7	93.9
September - - -	12 1	13 9	87.9
October - - -	12 6	15 2	82.4
November - - -	12 7	15 3	82.5
December - - -	12 3	15 7	78.6
1925.			
January - - -	12 11	16 6	78.3
February - - -	13 7	17 4	78.4
March - - -	13 3	16 2	82.0
April - - -	12 3	14 4	85.5
May - - -	12 7	14 11	84.4
June - - -	12 10	14 8	87.5
July - - -	11 11	13 9	86.7
August - - -	11 9	14 5	81.5
September - - -	11 6	14 4	80.2

39. The figures show that in recent years British wheat has often fallen heavily below the imported wheat in the autumn and it seems at least unlikely that this fall can be fully accounted for by the relatively high moisture content in the new wheat marketed immediately or soon after harvest. To some degree—though the exact extent cannot be stated—it appears to be due to the pressure of excessive quantities of the British commodity upon the market. In support of this view we must turn to evidence of a somewhat different character.

40. For the purposes of this enquiry the question has been approached from another angle. After consulting the National Farmers' Union, steps have been taken through the officers of the Ministry of Agriculture and by enquiry from a large number of persons acquainted with local conditions, to ascertain more definitely the influence of financial conditions upon the marketing not only of wheat but of other agricultural produce. The following questions were addressed to some 300 persons, and the answers are analysed by counties in Appendix I:—

1. Is it a common thing for produce to be forced on an unwilling market in such a way as to prevent farmers from securing the best price?

2. If so what are the crops or commodities particularly concerned; at what seasons of the year or under what conditions does it chiefly occur, and what classes of producers are affected?

3. To what extent is hasty selling due to financial causes? Are there any other causes?

4. It has sometimes been said that some farmers have a strong prejudice against any kind of borrowing if it can be avoided and consequently prefer to sell their produce for cash, rather than borrow money in order to hold it for a better price. How far is this the case and to what degree can it be said to contribute to the temporary congestion of markets at certain seasons?

The replies to this enquiry throw some remarkable light on the conditions which ordinarily determine the farmers' marketing policy.

41. Although opinion is to some extent conflicting, yet from almost all parts of the country evidence is forthcoming that agricultural produce is forced on to the market at certain periods in such a way that the farmer fails to obtain the best prices. The phenomenon is not universal, but it is very widespread. It usually occurs in regard to the corn and potato crops, and is almost invariably stated to be more common amongst small farmers, and most frequently to be due to financial pressure (*see* particularly replies to question 3, Appendix I). Several other causes contribute, particularly in the case of corn where the need for straw causes farmers to thresh at the first opportunity and lack of suitable storage accommodation compels them to market the grain immediately. But apart from this, there remains little doubt that financial pressure, the need of ready money to meet rent and other seasonal charges, is the chief cause impelling farmers to market their produce with undue haste. Indeed, abundant evidence has been furnished on this point. Again and again it is reported that, about harvest time, farmers find themselves short of ready money and are compelled to realise their produce for what it will fetch. Necessity takes the place of judgment and discrimination in selling, and the farmer only too frequently

pays heavily for the unfortunate position in which circumstances have placed him. These conditions, however, vary very considerably between one part of the country and another. Although hasty marketing is reported from practically every county in Great Britain, it is a practice much more common in some counties than in others. Broadly speaking, those in which it is reported to be a common occurrence are:— Bedfordshire, Buckinghamshire, Cambridgeshire, Essex, Gloucestershire, Hampshire, Hertfordshire, Kent, Lincolnshire, Norfolk, Northamptonshire, Nottinghamshire, Oxfordshire, Rutland, Somersetshire, Suffolk, Surrey, Sussex, Warwickshire, Wiltshire, Worcestershire, the North, West and East Ridings of Yorkshire, Anglesey, Denbighshire, Flintshire, Glamorganshire, Monmouthshire and Pembrokeshire. The counties in which it is uncommon are:—Cheshire, Cornwall, Cumberland, Derbyshire, Devonshire, Dorsetshire, Durham, Herefordshire, Lancashire, Leicestershire, Northumberland, Cardiganshire, Carmarthenshire, Carnarvonshire and Merionethshire. In other words it seems that "forced" marketing, as might be expected, tends to be more common in the arable districts and least common in the dairying and stock farming districts. Indeed dairy farmers, as such, appear to be free from the particular marketing problem here referred to, and in regard to all the points to which this circular letter was directed have little or nothing to complain about. Stock farming on the other hand, though exhibiting the phenomenon of hasty marketing to a less degree than arable farming, is nevertheless reported to suffer in this way to a surprising extent. Frequently it is stated from most of the stock raising districts, that temporary financial pressure compels farmers to sell stock in an unfinished condition, or in a bad market.

42. Notwithstanding the evidence of disorderly marketing in this country and of the financial causes behind it, it would of course be a mistake to assume that the matter would necessarily be remedied in every case by greater credit facilities. Financial pressure of the kind here disclosed may be the result of radical mismanagement on the farm which no amount of credit can cure. To determine this point with precision would require a closely analytical examination of a very large number of farm accounts. On the other hand, the cumulative effect of the evidence is to suggest very strongly that with greater resources of working capital many small but efficient farmers could avoid those conditions and could exercise a freedom of choice in the marketing of farm produce which is now denied them, thus obtaining the full market value of their produce. This, so far as the individual farmer is concerned, is the need for marketing credit, and we reach a conclusion which is reinforced by the experience of a country such as the United States, where the necessity for adequate agricultural marketing credit is recognised and provided for by law.*

* Cf. p. 42.

43. From many other sources evidence on this point has been forthcoming. One organisation has expressed the view to the Ministry of Agriculture that "it is difficult to visualize any scheme more likely to be helpful than one which provides facilities for assistance to the man temporarily financially embarrassed whereby he is not compelled to force his produce (sometimes in an unfit state) on an unwilling market. In the opinion of our Committee nothing depresses prices more than this action."

44. Moreover, it is often stated that there are persons ready to take advantage of the farmer's predicament and to exploit for their own gain the necessity which compels him to market produce too hastily. For example, a correspondent, closely acquainted with Farming conditions in the South and West of England, expresses the following opinion:—

"Because of changed conditions, a very large number of British farmers are now compelled to find money at certain fixed dates for mortgage interest whether their crops or cattle are ready for market or not or dire consequences would ensue. These dates are easily ascertained or guessed at, by those to whom he must sell his cattle, hay or corn, and very much to the seller's detriment.

"Although a farmer may have assets running into thousands of pounds in value, there is at present nothing which would be acceptable to a Banker as security for a loan with which he can charge those assets, except a Bill of Sale which is fatal to any future credit. Bankers say they are making large advances to farmers at present, but these advances are only made to men whose credit is sufficiently high to be quite indifferent to the favour and are not actually in need of it, or have independent securities to lodge or are more cattle dealers than farmers.

"This latter class is far and away the most evil factor in the industry to-day. The larger man will plunder the needy, or keep moving on his stock, selling for cash to another dealer, and buying from other dealers for such credit as he can get, merely to keep a lively banking account.

"The appalling consequence of this practice is found in the fact that 80 per cent. of the so-called fat stock on our markets are 'unripe' or immature or both. . . . Hay, corn, fruit and other crops are dumped upon the market at unsuitable times and out of condition solely because there are no other means for the needy farmer to obtain ready cash. Stupidity, incompetence, clannishness and numerous other things are attributed to British farmers, when the root trouble is the inaccessibility of capital."

Another correspondent writes:—"The Bankers have done and are doing much to afford farmers accommodation. . . . but there are many thousands of farmers who because they

may not have much of a balance at their Bank, or who may have slightly overdrawn their account, dispose of their stock or produce at a sacrifice (in preference to approaching their Bankers) such as, by resorting to selling their hay to a merchant for ready money, when they should retain it for consumption by animals on their holdings, and having disposed of their hay, sell some of their stock owing to their having depleted their stackyards, so that the possibility of making a profit is doubly affected. . . .”

45. When it is suggested that “marketing credit” might remedy such conditions as these, it is not of course to be inferred that the farmer should seek credit merely to enable him to speculate with his produce. It is necessary to be very clear on this matter. Many witnesses have stated that on the whole the farmer is right to sell immediately after harvest, that the future course of prices is so uncertain that in the long run his safest course is not to hold it in the hope of an improvement. This is a matter of judgment. The object of credit to finance marketing operations, is to enable the farmer freely to exercise his judgment in the matter, relieved of the pressure which recurring seasonal charges sometimes impose upon him.

46. From the case of the individual farmer we may turn to that of farmers’ co-operative societies. A co-operative marketing society is primarily carrying on the business of a merchant, and the credit needs of such a society are much the same as that of a merchant. They require accommodation to enable them to carry stocks which are received from members seasonally, pending a suitable time for marketing, or they may require it to finance the stocks during the process of maturing—as in the case of cheese, and during manufacture—as in the case of bacon.

47. The procedure often adopted by co-operative marketing associations in the U.S.A., Australia and elsewhere—a procedure which experience has proved to be a sound one, if not an essential condition of success—is to make to the growers an advance payment on the produce immediately it is received from them, the advance being equivalent to a certain proportion of the market value of the produce, to be followed by a pro rata distribution of the earnings of the society after the sales have been completed. To do so the society must have access to funds out of which to make these advances. It is essentially short term money that is required, especially in those cases where the active work of the marketing society is concentrated in a few months of each year. To attempt to raise the money in the form of permanent working capital—even if members were in the position of being able to subscribe so large an amount—would often be uneconomical, since the society would not require the use of the money during the slack seasons. In America and certain of the Dominions these conditions have led to what

are called the "non-stock, non-profit" type of co-operative marketing society, and there seems little doubt that organisations of this kind are no less suitable to the conditions of this country. It may be the case, however, that the functions of certain co-operative organisations are not confined to marketing, but combine with it the carrying on of certain manufacturing processes. Such conditions occur with co-operative bacon societies which are concerned both with the manufacture and sale of bacon produced from pigs supplied by members, or with co-operative cheese societies engaged in the production and sale of cheese and other dairy products prepared from milk supplied by members. But all these cases—differing though they may in detail—have in common a credit problem which is practically identical. They each possess an important asset in the shape of the produce in their possession,—in the case of the non-stock type of society that is practically its sole asset. The problem is how to render these stocks acceptably collateral for the purposes of short term loans. This is the problem of marketing credit so far as it concerns co-operative marketing societies. In the absence of the necessary facilities for financing these operations, the efficiency of the society, like that of the individual farmer, is impaired. It may be compelled to sell immature stock, to dispose of its stock at times when the market is unfavourable, or its freedom of action may be restricted by being forced to trade only with dealers who are able to make cash advances.

48. It is desirable to consider one or two practical illustrations.

Co-operative Cheese Societies.—Co-operative societies engaged in the marketing of cheese are stated to require credit in connection with the storage of cheese for two purposes—

(1) To hold the cheese stocks till the cheese is fully matured.

(2) To hold the stocks for a favourable market.

Experience has shown that existing societies have met with a serious difficulty in obtaining the required accommodation, with the result that their efficiency has suffered. Moreover it must not be overlooked that these difficulties are almost certain to be much greater in the case of new societies, which are endeavouring to develop new organisations for marketing, which are practically unknown to the local banks, and which are often at the same time engaged in the task of raising funds from their members to provide working capital.

49. To take a few examples from existing societies :—

A group of four co-operative dairy factories sell their cheese and other products through a central co-operative selling agency having a nominal capital of £100. It is an organisation of the "non-stock" type. The cheese is stored in the factory where it is produced but each of the constituent factories have experienced difficulty in financing the storage, with the consequence that

either the selling agency has been compelled to dispose of the cheese at the earliest possible moment, which is bad business, or the constituent societies have had to defer payment to their members, which is bad co-operation. The banks of the group were unable to suggest any means of financing their stocks, except by a joint and several guarantee from certain of the members or some other additional security.

50. Evidence from other sources confirms the fact that cheese is marketed by co-operative societies in an immature condition in consequence of the difficulties here described. In the case of Stilton cheese which on the whole requires a longer period to ripen, co-operative societies appear to have had to resort to a joint and several guarantee as the only means of getting the banks to finance their stocks.

51. *Wool Societies.*—The marketing of wool is at present carried on to a limited extent through the agency of farmers' co-operative societies. The general procedure of these societies is described in Report No. 1 of this series.* The wool is collected at a depôt and placed in stores owned by the society. As the wool is held in store for varying periods for the purpose of grading and to await a favourable market, provision is made for members to receive an advance at the time of delivery. In Great Britain as illustrated by the case of the Kent Wool Growers' and Southern Wool Growers' Societies the need for credit has been partially met by the banks, but certain difficulties have been encountered which have not hitherto been successfully overcome. On receipt of the wool from members, an immediate advance is made to each, in proportion to the amount of wool delivered, a cheque and the receiving slip being forwarded to him at the same time. These advance payments have been made out of money supplied by the bank.

52. The bank has been ready to advance money to the society up to a certain proportion of the value of the produce in store, but during the early weeks of each season before the warehouse is filled the bank advances have to be backed by the personal guarantee of certain members of the management committee, the bank not being prepared to accept the security of the wool alone until the stores are filled and closed. The guarantee has often been for a considerable sum, and it is at least doubtful whether a new society would be able to provide it.

53. *Co-operative Bacon Societies.*—An example closely similar to that of cheese is afforded by the organisation of certain co-operative bacon factories.† An attempt has been made to establish a "non-stock" central co-operative selling agency to dispose of the produce of certain affiliated co-operative bacon factories. The central agency has a nominal capital of £100,

* Report on "Co-operative Marketing of Agricultural Produce in England and Wales." Economic Series No. 1, p. 135 *et seq.*

† See "Report on Co-operative Marketing of Agricultural Produce in England and Wales." Economic Series No. 1, pp. 127-134.

and the constituent societies are under an obligation to sell their produce through it. But from the outset the agency has been confronted with the difficulty of financing the stocks, and the banks have not been able to advance money on the security of the bacon alone.

54. *Co-operative Egg Societies.*—The production of eggs is a seasonal trade, and the seasonal fall of prices in the spring and summer, and rise of prices in the autumn and winter, is well known. This has recently led producers to consider the problem of storage, so as to be able to supply the retail market more evenly throughout the year. It is a purpose for which a farmers' co-operative society, undertaking the storage and marketing of eggs, is admirably suited. The technique of storage, whatever may be the method adopted, is comparatively simple, the real difficulty is one of financing the stocks. In one case where a co-operative society has been practising the storage of eggs for some time past and its general prosperity is well known, the local bank appears to be prepared to give adequate accommodation even without a guarantee. But in the cases of new societies the difficulties of finance have actually prevented the promoters bringing their proposals to fruition.

55. Other examples might be quoted, but the above are sufficient to indicate the kind of difficulties which confront co-operative societies, and the purpose for which they require credit facilities. How far these difficulties are capable of remedy will be discussed in a later section.

CHAPTER III.—EXISTING FACILITIES.

56. The next point to study is the facilities which are open to farmers or co-operative societies to borrow money for short terms to meet such purposes as have been described.

57. The farmer, broadly speaking, has three sources from which he can obtain credit, (1) the bank, (2) tradesmen, (3) the landlord. The usual method of obtaining accommodation from the banks is by way of overdraft, and bank advances for short term purposes are therefore, generally speaking, confined to farmers who have banking accounts, but as the number of these has greatly increased during recent years, bank accommodation may be said to be available to the vast majority of large or medium-sized farmers. The position of the small cultivators, such as small holders and allotment holders, was explored by the Committee on Agricultural Credit which reported in 1923, and their recommendations were embodied in the Agricultural Credits Act, 1923.

58. The banks lend to farmers either upon their personal knowledge of their customers or upon the security of a personal guarantor, or upon definite collateral security. It is a system particularly well-adapted to the tastes and general disposition of farmers; it is secret, simple and elastic. One of the most common criticisms which has however been levelled against the banks is that the modern joint stock banks are "less sympathetic" and more rigid than the old private banks were, that the local bank manager is less acquainted with farming than formerly, that his discretion is limited, and that the loans he makes to the farmer have to be referred to the head office for sanction. This criticism was considered by the Committee on Agricultural Credit referred to above and it may be well to quote their summary of the position:

"On behalf of the Banks, it has been pointed out that relatively more agricultural loans are, in fact, outstanding to-day than in the days of the small private Banks. The fact that all applications for overdrafts are referred to the Head Office for approval no doubt accounts for some of the criticism to which the Banks have been subjected, though, in actual practice, the older and more experienced managers are allowed considerable latitude. Moreover, where applications are refused, it is possible that the local managers seek refuge from the unpopularity of adverse decisions by throwing the onus on to the Head Office. The Banks have always regarded the farmer as a good customer and they are anxious to maintain and, where possible, to develop their agricultural connection, there being very keen competition between them for that purpose. They claim to appreciate fully the farmer's difficulties at the present time, and their policy is to be as helpful as

possible, consistent with their responsibility to their depositors. With the great majority of farmers an overdraft is a routine arrangement for a part of the year. The farmer who is enterprising, keeps books and knows his way about the world, has little difficulty in obtaining credit, and even the less enterprising type of farmer is more afraid of the Bank than the bank is shy of him. In some cases of complaint, it transpires that the farmer is carrying on some other business, doing badly at it, and trying to play off one Bank against another. To any ordinary farmer, of whom the Banks have personal knowledge, they would, if necessary, give credit on his crops alone, although they can take no legal charge. In the fruit-growing districts of Evesham and Pershore, for instance, growers obtain credit from the Banks on what the manager can see for himself on the trees. The Banks realise that the liquidation of agricultural loans is a longer process, as a rule, than the repayment of purely commercial advances, but there is a constant ebb and flow of money from and into the farmer's account which means good business, although the loan account may not be cleared rapidly. In the country districts, an overdraft, unspecified as regards purpose, is more common than definite loans for particular requirements. The overdraft is reduced or extended according to the daily or weekly alternations of receipts and expenditure of the farmer concerned."

59. In the Ministry of Agriculture's circular letter referred to above, a further question was asked with regard to the adequacy of bank credits. A certain proportion of the answers, particularly in the dairy and stock-raising districts, state definitely that the accommodation afforded by the banks is adequate for the general short-term needs of farmers. More often the contrary view is expressed, and in such cases criticism of the banks falls mainly under two heads: (1) the general point referred to above to the effect that the joint stock banks are less sympathetic than the old private banks, and do not understand the farmers' needs so well, and (2) the banks require "good" security for loans and are unwilling or unable to accept the security of crops or stock. The banks in answer to the same question have stated generally that the farmer who is credit worthy has no difficulty in obtaining the necessary accommodation. Some statements of witnesses in regard to the second of these criticisms may be quoted:—

" Provided one has good security to offer the banks along with the value of your stock and implements, you can get an appreciable overdraft. Many farmers have no other security but the value of their stock, &c., to offer, when the bank draw the line at a very limited sum."

" If a farmer can give a permanent security there is no difficulty for him to borrow money, but money cannot be

borrowed on unthreshed corn and it occurs especially after a season such as the one we have just experienced."

"Banks are most unwilling to lend money on the security of either live stock or produce. They always require bonds or a personal guarantee from someone of known substance."

"Under existing circumstances it is difficult to obtain sufficient credit facilities from the banks as they are unable to obtain a priority claim on stock, and the farmer is in very many cases unable to obtain other security for his overdraft or loan. The bankers are the people best able to confirm the critical state in which farmers are to-day."

"The existing credit facilities provided by the banks are very inadequate for the reason that the banks require much too sure a security . . . The question of security is the most difficult problem, as a farmer would not give a *Bill of Sale* because this would stop all credit elsewhere."

"The type of farmer that I have been alluding to would not be likely to get a loan from a bank, owing to his inability to provide a suitable security."

"Existing credit facilities provided by the banks are utterly inadequate, as banks will only advance, generally speaking, on definite security, i.e., security of a recognised value, and not on crops, which of late years have been subject to violent fluctuations of prices. Personally, I am convinced that large corn and potato merchants give the farmer much better credit facilities than the banks, and will frequently buy standing crops from the farmer, and give instructions as to when they have to be delivered. . . . Merchants allow farmers to run up considerable accounts for feeding stuffs and manures during the year on the understanding that the farmer will sell him his crops when they are harvested. This naturally has the effect of tying the farmer to the merchant and prevents him from buying his feeding stuffs, &c., in the cheapest market."

"There is not enough elasticity in the existing credit facilities provided by the banks. In my humble opinion the banks should help a farmer with cash on the strength of the stock he possesses."

60. The position is, therefore, that the banks frequently lend on their personal knowledge of farmers without a definite charge upon their property, but the extent to which this is done is limited. The farmer who has title deeds, share certificates or a life insurance policy to deposit with his bank as collateral has no difficulty in securing substantial advances against these securities. The small tenant farmer, however, whose main assets are his growing crops and other stock, has difficulty in obtaining adequate bank accommodation.

61. It should not be overlooked that since the private country banks began to be absorbed by the joint stock banks, other changes have been taking place. It has been affirmed that there has been a very considerable growth in recent years of the practice of farmers borrowing from tradespeople—merchants, auctioneers and dealers—indeed more than one witness have asserted that farmers whose banks have been unable to make advances to them upon their stocks and crops have been compelled to resort to merchants, who are prepared to do so on the basis of undertakings by the farmers to sell the produce to them. Some have even expressed the opinion that the gross indebtedness to the latter class exceeds the indebtedness of farmers to the banks. Whatever may be the truth of this it is obvious that a substantial development in this direction must have a bearing on the operations of the banks, particularly as it is not always an easy matter for the banks to know what their farmer customers owe to others. Moreover, it is hardly open to doubt that there are farmers who while complaining of the attitude of the banks are themselves often to blame for the difficulties they complain of. They keep inadequate books or no books at all, and in the absence of books it must be more difficult for the banks to form a correct idea of the amount of their debts to tradespeople. In such circumstances can it be wondered at if banks require "good" security for their loans, or appear to be unsympathetic?

Again, it has to be remembered that persons who compare the services to agriculture of the old private banks with those of the joint stock banks, are sometimes comparing a time when agriculture was more prosperous with the present time, when it is still suffering from the effects of depression. There seems to be no evidence that the present attitude of the banks does more than reflect the want of confidence in the industry to which farmers themselves give frequent expression.

62. To sum up, there is nothing in the evidence which has been available to suggest that the banks, within the limits of the present credit system, are unduly rigid or unsympathetic with the needs of agriculturists, nor is there anything to suggest that hasty marketing by the farmer is due to pressure being exerted upon him by the banks at harvest-time. On the contrary, there are many reasons to think that consistent with reasonable business prudence, the banks administer the present system as generously as the system permits. Whether the limitations it imposes both on them and their customers are too narrow, and whether the system itself is open to serious criticism is, however, a question which will be considered below.

Credit from Tradespeople.

63. (a) *Auctioneers.*—Auctioneers who have large connections in cattle, sheep and farm sales, sometimes allow farmers to buy live stock on credit, on condition that these cattle and sheep,

or lambs born from the latter, are re-sold in their markets. By this means, however, the farmer is restricted in his market and consequently may be restricted in his profits. The auctioneer is stated to receive slightly higher rate of interest on the capital sum involved than the current bank rate, in addition to the commission he receives on the re-sales. In some districts auctioneers also give credit to butchers who buy at their sales; by this means not only is a constant entry at the cattle sales assured, but purchasers also. If the auctioneer is short of entries a farmer who is in his hands may be called upon to send cattle to the market, but it is obvious that by doing so he may have to accept a lower price than if he had been free to choose his own time, and what he ultimately pays for the credit may remain a matter of uncertainty. In consequence of this system the auctioneer's hold on some districts has been described as "enormous."

64. (b) *Corn Merchants, Seedsmen, &c.*—A similar system is in force in some districts in regard to corn, hay, &c. The farmer buys seeds on credit from a corn merchant subject to the condition that the latter takes the farmer's corn crops when ripe; in addition the farmer is sometimes charged interest on his account. This often results in a farmer having to buy in the dearest market and sell in the cheapest; he cannot choose his own time, and must accept the merchant's price for the corn. The actual financial basis of such arrangement varies according to the standing and character of the farmer, and there is seldom any settled basis of terms. Once more the cost of credit remains unknown. As an example the following may be quoted:—

A firm of auctioneers and surveyors in answer to the circular letter from the Ministry of Agriculture refers to—

"the corn dealer who is often a retailer for feeding stuffs, artificial manures, &c., who gives credit to the farmer, and consequently has first call on the latter's corn, which he then endeavours to buy when the market is congested, and probably holds over, pending a rise, thus securing extra profit for himself."

65. (c) *Dealers.*—In some districts dealers are stated to have a monopoly of supplying cattle to farmers on a credit basis. The terms upon which this is done also vary with the standing and reputation of the dealer and of the farmer. One of the many methods is referred to in the following statement of a correspondent:—

"Now, in respect of live stock, I very much regret having to indict the dealer, a very useful man in his way; but who is now rapidly developing into a parasite upon the Agricultural community. . . . Farmers, who are short of capital to purchase livestock, procure them from the dealers at what is termed "halves," i.e., the dealer supplies the

stock, the farmer keeps it, feeds it, improves it, and brings it into a marketable condition, finds the rent, rates, taxes, labour, supervision, &c. The stock as sold, often purchased by the same dealer and at his own price and the profit, if any, is divided between them, and that is all the farmer gets. This practice is very prevalent amongst dealers with store ewes."

66. (*d*) *Advances on Crops*.—Merchants often make advances on growing crops, not only on cereal crops but on market garden produce and on potatoes. The merchant will buy a grower's crop early in the summer making the farmer an advance and taking the risk of the yield of the crop. The farmer in such cases, it is stated, does all the cultivation, finds the manures and usually puts the crop on rail. In some cases in Lincolnshire and Kent it has been stated that a merchant will pay a farmer to grow a crop—frequently in the case of potatoes. The farmer agrees upon a price for the cultivation, a sum being included for profit, the merchant finds seeds and artificial manures and takes the risk of the market price. The farmer is then guaranteed a certain small profit.

67. In lending money in this manner, tradespeople are naturally more concerned with their own business than with assisting farmers, but this is not to say that a very material measure of assistance is not given by tradespeople, or that it always leads to victimisation of the farmer. The terms as to interest are often reasonable, and although cases of victimisation do frequently occur, it is also often the case that the other conditions attaching to such loans are not unduly burdensome, having regard to the circumstances under which they are made. Nevertheless, the system is a bad one. The farmer who buys farm requisites from a merchant on credit seldom knows what he is paying for the credit, since it is usually included in the price he ultimately pays for the goods. Not only is this so, but evidence is not wanting that a large number of farmers using this system do not believe or do not realise that they are paying anything for credit at all. In their monthly circular,* Messrs. Pattullo Higgs & Co., Ltd., as a firm of agricultural merchants, publish the following significant comment on this point:—

... "there are undoubtedly many farmers who do not realise that credit, deferred payment, loans, the prolonged use of capital, or whatever one may choose to term it, costs money. Whether they do or not, it does cost money, and they must pay for it one way or another, just as they would if they went to a bank for an advance. Naturally, they do not get it from their merchant on such good terms as the bank would give, because they neither put up security nor attempt to prove their ability to eventually

* "The Phlo," August, 1925, p. 136.

pay, and no merchant would think of asking for *bona fides* because he knows it would be misunderstood and resented. When a merchant does not quite know how his customer stands, he naturally feels that there is an element of risk, and this must be provided for."

Similarly, the farmer who barter a future crop for seeds or other requisites is entirely in the dark as to what he is paying for this measure of credit. But from his point of view as has been mentioned already, an even greater disadvantage is involved. The farmer loses his freedom in marketing; he is often compelled to sell at a time chosen by the purchaser, who will naturally select the moment most favourable to himself, and least favourable to the farmer. With the wide fluctuations in agricultural prices, this may obviously involve a considerable loss in profit.

68. It has been said that the great majority of agricultural merchants and dealers have heavy debts from farmers on their books. Although actual figures are not available, there can be no doubt that the gross indebtedness of farmers to tradespeople is very large indeed. Cases are not unknown where a dealer has stated that all the farmers in a district are working for him. Furthermore, there can be little doubt that the two systems of short term credit, the banks on the one hand and the tradesmen on the other, are, to a considerable degree, irreconcilable.

The Landlord.

69. The tenant farmer has a further source of short term credit, where he obtains the use of land in consideration of rent payable nominally at the end of each half year, but actually some months later. As security for payment, the landlord relies on his right of distress upon the crops and stock on the farm; he can distrain (subject to certain conditions) on any such property irrespective of the question of ownership. In actual practice the credit given in this way usually does not exceed six months' rent. There is, however, no special merit in deriving credit from this source. In so far as it is secured upon the farmer's property it must diminish his power of borrowing elsewhere.

70. Such, in brief outline, are the present facilities for short term credit. In addition to them, a small amount of money is lent by agricultural co-operative trading societies and agricultural credit societies to their members. But the great bulk of short term money comes from the banks and tradespeople, and the fact that the total sum borrowed in this way is large, no doubt accounts for there being, in many districts, no demand for further credit facilities, a circumstance which must be taken into account in considering the whole problem. But this report is concerned not merely with the question of satisfying a demand for additional credit facilities; it is also concerned with an

examination of the economic basis upon which the present system rests. Examples might be multiplied many times, of the difficulties and disadvantages, the indirect—but none the less undesirable—consequences which accompany the practice of borrowing from tradespeople. But enough has been said to show the general faults of the system; other examples will be found in the Appendix. To free the farmer from the credit entanglements in which this practice only too frequently involves him must be looked upon, therefore, as one of the primary aims of a rational credit system.

71. If this situation is accepted, we are brought back once more to the banks and the facilities offered through their agency. It has been stated above that one of the chief criticisms of the banks is that they do not make loans specifically secured upon crops and stock, but that if they require security, it is usually of a non-agricultural character—share certificates, life insurance policies—or else is based on land. In point of fact, the banks have nothing with which they can charge stocks and crops, except a Bill of Sale, which, for reasons that will be discussed below, is commonly regarded as disastrous to any future credit. The banks, therefore, are compelled to restrict their loans within the limits of personal unsecured advances,* subject as they are to some uncertainty as to the borrower's other debts, or to require some other form of security such as the above.

72. If this is a correct reading of the position, it discloses a weakness in the credit system. To lend money on such security as title deeds or share certificates is a service which obviously any bank would be willing to render, to any person of good repute, farmer or otherwise. The system takes no account of the particular needs of agriculture and only partial account of its latent wealth. If a farmer has accumulated or possesses other forms of wealth than the wealth on his farm, the banks will lend against these possessions. But such a method must fail in certain cases to meet the legitimate needs of farmers, whose main wealth consists of the growing crops and stocks.

73. It has been pointed out in Chapter I that agriculture is still a commercially primitive industry operated by a large number of individuals, and seldom conducted on joint stock principles. These conditions in farming have carried with them certain disabilities in borrowing capital when it is compared with other industries. The difference between the two may be briefly restated as follows: corporate industry raises its capital not only upon the security of its tangible assets but also upon that of its intangible assets—earning power, goodwill, etc. Agriculture depends almost entirely on its tangible assets—its stock, crops and equipment, and its land and buildings. With this and the preceding summary of the present sources of short term

* In determining the amount of such "unsecured" overdraft, the banks do, of course, *take into account* the value of the stocks and crops on the farm.

credit in mind, we are now in a position to carry this enquiry a stage further. Accepting the position that the banks remain on the whole the best channel through which the farmers' need of short term credit can be supplied, we must enquire as to how far this credit can be secured, not upon accumulated non-agricultural wealth, but rather upon its chief asset, the wealth that the industry itself creates from day to day, and from year to year. The credit problem thus assumes a somewhat different form. It is not a question of creating new lending institutions, but is rather one of mobilising agricultural wealth so as to render it as fully available *as possible* as collateral security with the banks. That it is partially available now, is shown by the degree to which uncovered overdrafts are permitted, but that it is not fully available is the burden of the evidence which has been received. Moreover, in agriculture the element of risk is less easily measurable than in other industries, and agriculture in consequence is under a disability in comparison with the more stable lines of production. Lenders to agriculture must cover this risk, which usually means in practice that they must attribute a relatively low value to the agricultural assets upon the security of which money is advanced. All the more is it desirable therefore, that the wealth which agriculture does possess should be fully available.

74. In the report of the Committee on Agricultural Credit, published in 1923, it is stated that the total loans to agriculturists from the five leading banks of England and Wales amounted to 46½ millions, of which 26 millions represented loans for the purchase of agricultural land and 20 millions normal loans for current trading. Through the courtesy of these banks, similar figures have been obtained for the beginning of the present year, which show that the total loans of the same banks to agriculturists amount to approximately 51 millions, of which about 25 millions is lent for current trading. In their report the Committee express surprise at the magnitude of such figures. If the sum of 25 millions represents loans mainly secured upon non-agricultural wealth or unsecured, there is perhaps ground for surprise, but how does it compare with the actual wealth on farms? Taking Great Britain as a whole, the Ministry of Agriculture make the following estimate :—

“ An estimate of the value of the annual production of crops and of the livestock in hand, whilst it can obviously only be a rough approximation, does give a clue to the large amount of capital which is locked up in the agricultural industry. . . . Such an estimate in short, should represent the aggregate sum which would be reached if each farmer valued the crops and live stock on his farm after harvest. On this assumption, the total value of farm crops and live stock in Great Britain in 1922 has been estimated at about £400 millions, which may be taken as approximately the sum farmers had invested in their

farms in the form of crops and livestock, but exclusive of machinery and vehicles. It is also exclusive of the production of milk, milk products and eggs, which is spread over the year** and of tenant right, unexpended manures, and of expendable stores such as feeding stuffs and artificial manures.

75. The gross value of the output of farms (i.e., produce sold off the farms) in Great Britain was estimated for the year 1922 at £261,250,000 made up as follows—

Farm Crops	-	-	-	-	-	£47,000,000,
Live Stock	-	-	-	-	-	108,000,000
Dairy Produce	-	-	-	-	-	77,000,000
Wool	-	-	-	-	-	3,250,000
Poultry and Eggs	-	-	-	-	-	16,000,000
Miscellaneous Crops	-	-	-	-	-	10,000,000
						£261,250,000

76. It would be unwise to attempt to draw a strictly quantitative conclusion from a comparison of these figures with the above figure of £25,000,000 representing the gross advances of banks to agriculturists for current trading purposes; the banks do not make advances equally to all farmers, but lend chiefly to the more needy. Nevertheless the figures suggest some important reflections. They suggest that in comparison with the wealth upon the farm, the total bank advances cannot be considered surprisingly large; that the farmer's difficulty in obtaining short term advances from the banks is not that he does not possess tangible assets, but that possessing them in abundance he is unable to make use of them; that it is not the practice but the principle that is defective.

77. Again, it is well known that the arable farmer's chief need for short term credit is at, or immediately preceding, harvest. It is precisely at this time that the temporary wealth created on the farm is at its height; at this moment the farmer's assets are worth the most, and at this moment their value is more easily measurable. Were it possible, therefore, for the banks to lend specifically against crops and stocks, a system of short term advances might be created which would not only render "liquid" the potential assets on the farm, but would be capable of seasonal expansion to meet the seasonal credit needs of agriculture. Under the present system there is at least some reason to think that the gross amount of short term advances from banks to farmers does not vary considerably between winter and summer.

78. It is desirable at this stage to refer briefly to the question of short term bank advances secured upon such assets as title deeds and other forms of "permanent agricultural wealth."

* Ministry of Agriculture and Fisheries "Agricultural Statistics," Part II., pp. 66 and 67. 1922.

In a healthy state of the industry, short term debts should bear a reasonable proportion to annual turnover, and to the "temporary" wealth upon the farm. The essential condition of short term loans is that a borrower, having borrowed money in order to carry out certain operations, should be able to liquidate the debt when the operation is completed. A short term credit system in which loans were secured solely on "temporary" agricultural wealth should, therefore, be sufficient to meet the farmer's short term needs, and his possessions in the shape of land and buildings, if any, should be left free as a basis for long term loans required for the execution of permanent improvements or other purposes. In this connection it is important to record that several persons have stated that where a farmer has received a mortgage loan from his bank to enable him to purchase his holding, he has been crippled in obtaining short term accommodation to meet his current trading requirements. For example, one witness writes :—

"The present credit facilities provided by the banks certainly do not enable farmers to hold their produce until it is most convenient to sell. The causes are that in very many cases farmers bought their farms in the dear times and paid for them by means of overdrafts at the bank. The banks are now very nervous about the security and will therefore not allow those purchase overdrafts to be increased by any excess of current expenditure over revenue, as they might be prepared to do if there were no other overdrafts."

From another part of the country it is stated :—

"So many farmers were obliged to obtain the assistance of the banks in order to purchase their holdings during the post-war period that it is doubtless a fact in many instances further credit is difficult to secure."

In general, although exceptional circumstances, such as wet seasons, droughts, insect pests, or economic causes such as the fall in prices in 1920-1922, may greatly diminish the farmer's prospective profits, and consequently render him unable to meet his obligations, in normal and healthy conditions, short-term debts should be met at maturity. When a borrower, on the other hand, is compelled "to refund short-time loans into mortgage indebtedness because of insufficient income, he is fast becoming the most unfortunate being in the world."*

79. The general conclusion may therefore be summed up as follows :—

(1) Agricultural credit should, broadly speaking, be secured upon agricultural wealth.

* James B. Mormon. "Farm Credit in the United States and Canada," p. 293.

(2) Short-term credit should usually be based upon the temporary wealth created on the farm.

(3) Long term credit should be based upon "permanent" agricultural wealth in the shape of land, buildings, &c.

The problem is to find a means of doing this in practice. We must postpone this question for a moment, however, in order to examine briefly the short-term credit system in the United States of America, which to a much greater extent than our own meets the conditions referred to above.

CHAPTER IV.—SHORT TERM CREDIT IN THE UNITED STATES.

80. As in this country, the American farmer has three main sources of credit open to him—the landlord, tradesmen, and the banks or other financial institutions, though the first is only of minor importance, and the second appears now to be of relatively less importance than in this country. It would be beyond the scope of this report to give a full account of the credit system as a whole, but some reference must be made to that aspect of the question which is of chief importance for the purposes of this discussion—namely, short-term credit provided by the banks, particularly under the Federal reserve system.

81. The Federal Reserve Act establishing the present system of banking in the United States was passed on November 16th, 1914, and may be described as a measure for introducing into America the rediscounting banking system. Under the Act are established twelve “central” banks, one in each of twelve districts, each being the rediscounting bank for the “member” banks of its district. These twelve are subject to a co-ordinating body called the Federal Reserve Board. Local country banks may be members of the Federal reserve system if they have the requisite capital.

“The enactment of the Federal Reserve Act was the first government step in the establishment of systematic indirect short-time credit for farmers, but the government neither made loans to banks nor authorised direct loans to farmers.”*

Every member bank has the right, however, of having “eligible paper” rediscounted by the Federal reserve bank of its district. The definition of “eligible paper” was laid down in the Federal Reserve Act, but has been extended by subsequent amendments, particularly as regards agriculture. Neither farmers nor other individuals can obtain credit directly from the Federal reserve banks, but must apply for loans to their own local banks, which, if they are members of the Federal reserve system,† may rediscount with the Federal reserve bank the notes, drafts or bills of exchange acquired from their customers. The Federal Reserve Act places certain limitations on the character of paper that the reserve banks may discount, and places upon the Federal Reserve Board the duty of issuing regulations putting into effect the provisions of the law. The character of the paper which may be discounted, is generally defined in Section 13 of the Federal Reserve Act, which authorises Federal reserve banks to discount notes, drafts and bills of exchange issued or drawn for agricultural, industrial or commercial purposes or

* James B. Morman. “Farm Credits in the United States and Canada,” p. 326.

† There are still many country banks which have not joined the Federal Reserve System.

the proceeds of which have been used or are to be used for such purposes. Subject to certain exceptions, the law does not permit reserve banks to discount paper the proceeds of which are (1) to be loaned to some other borrower; (2) to be used for permanent investment; or (3) to be used for speculation.

82. A question of considerable importance is the period of maturity of short-term loans made through the Federal reserve system. Before the establishment of this system it was one of the customs of country bankers and merchants to advance credit to farmers on their growing crops for a period not longer than six months, on condition that they paid their notes when their crops were harvested. This made no provision for systematic marketing. The result was that crops had to be moved away from the farms promptly owing to the pressure of maturing obligations, and where many farmers were engaged in the same lines of production, markets were glutted and prices fell to the great disadvantage of the producer. Under the Federal Reserve Act as originally enacted, the term of discount on paper drawn for agricultural purposes was six months as against a three-months' limit on commercial paper, but precisely on the grounds that this appeared to lead to disorderly marketing and to the forcing of farm produce on the market with a consequent lowering of prices, the period was extended by amendment of the Act from six months to nine months. It is important to observe this recognition of the marketing problem in the legislation governing the credit available to farmers through the Federal reserve system. Notwithstanding the prohibition on the discounting of paper the proceeds of which are to be used for speculative purposes, "the Federal Reserve Board has held that the marketing of crops or livestock includes carrying them for a reasonable time in order to market them in an orderly manner, instead of dumping large quantities on the market at one time in order to get money with which to meet current expenses."*

But this is not all. Besides rediscounting farmers' notes for member banks of the Federal reserve system, the reserve banks may discount the notes of agricultural co-operative marketing associations. In recent years, as is well known, there has been an enormous development in co-operative marketing as a means of enabling farmers to market their produce in a more orderly fashion and to better advantage, and the gross value of agricultural produce marketed through these agencies is stated to have reached the large figure of 2,200 million dollars per annum. The Federal Reserve Act makes special provision for the extension of short-term credit to such associations. As amended by the Agricultural Credits Act of 1923 co-operative marketing associations may issue paper which is eligible for discount with maturities up to nine months, if the money is advanced to members for an agricultural purpose, or if it is

* "Agricultural Credit Facilities under the Federal Reserve Act," p. 2. Washington. 1923.

used to pay members for farm produce delivered, or to finance the association in packing, grading, preparing for market or in marketing, products grown by its members. Paper of co-operative marketing associations by which money is borrowed to be, in turn, loaned to individual members of the association, would ordinarily be ineligible for discount but "it was felt that the ability to issue such paper and have it available for discount would be of such assistance in the co-operative marketing movement that a special exception to the general rule is made."* Thus has the need for marketing credit been definitely recognised and provided for by law.

83. Further provision of the law permits the extension of short-term credit facilities to agriculture through the Federal reserve system, in certain other directions :—

As amended by the Act of 1923 the Federal Reserve Act also provides that the notes, drafts and bills of exchange of factors, issued for the purpose of making advances to producers of staple agricultural products in their raw state shall be eligible for discount. In this way the Federal reserve system systematizes the loaning of money to agriculture through tradespeople. Another amendment permits sight and demand drafts to be discounted in certain circumstances. In the original Act such paper would be ineligible for discount because it has no definite maturity. It appeared, however, that it was the custom of many member banks during crop moving periods to discount large volumes of sight drafts secured by bills of lading covering the shipment of wheat, cotton or other agricultural products. These drafts, although having no definite maturity, were usually paid with promptness. On the suggestion of the Federal Reserve Board an amendment was made to the Federal Reserve Act permitting the reserve banks to discount sight and demand drafts drawn to finance the domestic shipment of non-perishable, and readily marketable staples, secured by bills of lading or similar shipping documents covering or securing title to such staples. Such paper has to be presented for payment with reasonable promptness, and in no event may a Federal reserve bank hold such paper longer than ninety days. "In discounting these bills the banks may compute the interest to be deducted on the basis of the estimated life of each bill and adjust the discount after payment of such bills to conform to the actual life thereof."†

84. In addition to the ordinary classes of credit instruments namely, notes, drafts and bills of exchange, a type of paper known as bankers' acceptances has recently been coming into more common use as a means of financing agricultural operations both by individual farmers and, more particularly, by co-operative marketing associations. Bankers acceptances are drafts or bills of exchange drawn on and accepted by a bank,

* "Agricultural Credit Facilities under the Federal Reserve Act," p. 2. Washington. 1923.

† Agricultural Credits Act, 1923, Section 402.

trust company or other banking institution, and the law as amended authorises Federal reserve banks to discount bankers' acceptances under certain conditions. For this purpose such acceptances must be endorsed by a member bank and must be drawn to finance the importation or exportation of goods, the domestic shipment of goods or the storage of readily marketable staples. In the latter case acceptances must also be secured by warehouse receipts conveying or securing title to the goods or staples in question. The law in this matter, discriminates in favour of agriculture, by allowing bankers' acceptances secured by such warehouse receipts to be discounted with maturities up to six months, while for other purposes bankers' acceptances may be discounted with maturities up to ninety days only.

85. In addition to the above, Federal reserve banks are authorised to extend credit facilities to agricultural interests by means of purchasing agricultural paper in the open market. Under Section 14 of the Federal Reserve Act powers are given to Federal reserve banks to purchase in the open market bankers' acceptances and bills of exchange of the kind and maturities made eligible for discount.

86. Such in outline are the chief short term facilities available to American farmers through the Federal reserve system. Much of course has depended upon the administration of the law by the Federal Reserve Board. But in the words of the pamphlet already quoted: "it can be stated with emphasis that the Board has so construed and administered the law as to improve in the highest possible degree the credit standing and economic position of the agricultural interests, placing at their disposal, through its discounts for member banks and its open market operations, the vast resources of the Federal reserve system to the fullest extent permitted by the law and by the principles of sound banking."*

87. The next point to be examined is the nature of the security upon which agricultural loans are made.

"Short-time loans are seldom based on land security, though the character of a borrower and the risk attached to his particular line of agriculture sometimes compel a creditor to require a mortgage on land as security for a personal loan. As a general rule, however, the security for short-time loans may be chattel mortgage on equipment, live stock, and farm products, warehouse receipts for staple crops, or personal notes with or without indorsements."†

Although other methods are used, the chattel mortgage is the form of security which enables credit to be raised for ordinary trading purposes based upon the temporary agricultural wealth

* "Agricultural Credit Facilities under the Federal Reserve Act," p. 6. Washington. 1923.

† Morman. "Farm Credits in the United States and Canada," p. 288.

in the possession of the farmer. It is desirable therefore to refer briefly to the way in which this particular instrument is employed. It should be noted that the difficulty of basing credit upon farm produce is not a theoretical or legal one, but is a purely practical difficulty; any such system must fulfil the following conditions:—

(1) It must provide against the mortgagor's disposing of the goods which are the subject of the mortgage, without the knowledge of the mortgagee.

(2) It must provide against the mortgagor's raising money elsewhere on the same security.

(3) It must enable the goods charged to be easily identified.

(4) It must leave the mortgagor reasonable freedom to market the goods immediately the market is favourable.

(5) In the case of default it must provide a reasonably simple method by which the mortgagee can realise the goods which are charged in the mortgage.

88. A chattel mortgage* in the United States of America, is a conveyance of personal property to secure a debt. The chattel mortgage laws are not, however, uniform as between one State and another. In some States, the ownership of the property is transferred at the outset to the mortgagee, while in others the title remains with the mortgagor; in the latter case, however, the mortgagee may secure absolute title if it becomes necessary. The chattel mortgage is a specific charge upon the articles enumerated therein. It may contain a certain number of head of cattle, a certain number of sheep, certain specified farm implements. It may be based upon a growing crop, in which case the area to which the mortgage is to apply is given by the legal description of the land. Most States require that a chattel mortgage should be witnessed by one or two persons, and in some cases attested before a notary. The amount loaned on a chattel mortgage appears seldom to exceed 50 per cent. of the estimated market value of the goods mortgaged.

89. Most State statutes provide that in case the mortgagor disposes of property which has been mortgaged and appropriates the proceeds, he is liable to an action for conversion; they also prescribe imprisonment as a penalty in such cases, and in consequence few persons, it is stated, are tempted to evade the law. Moreover, a person purchasing property which is the subject of a chattel mortgage is naturally careful to see that the funds realised therefrom are received by the mortgagee, as otherwise the purchaser would take the property subject to the mortgage.

90. To avoid the possibility of a borrower borrowing from two different sources on the security of the same goods, the almost universal practice is that the legal instruments by which

* A specimen is given in Appendix III.

the specific goods are charged, should be registered and open to public inspection. In the United States, when a chattel mortgage is drawn up, it is usually placed on record either at the county court house or in some States with the town recorder who keeps the original copy on a file. The fee for filing is usually 25 cents. The fact that the mortgage is registered is a notice to all of the lien created in the property.

91. The farmer can dispose of his mortgaged property, but he can only convey such interest in it as he has above the mortgage, and the purchaser is required to see that the terms of the mortgage are fulfilled. In cases when only part of the security is sold, the proceeds thereof must be paid to the mortgagee to reduce the principal of the loan. This offers the farmer an opportunity to secure partial liquidation of the loan.

92. In regard to identification of the property, the goods are described as specifically as possible when drawing up the mortgage so that they may be readily identified if any question arises. Thus, in the case of livestock, it is customary to give the age, colour, weight, special markings, and any other means of identification. Similar means are employed in the case of farm implements. As regards grain, identification is more difficult, but the average purchaser is stated to be usually very careful in protecting himself, by ascertaining whether there is a mortgage upon the property in question, and will not purchase unless he is satisfied that the claims of the mortgagee are met.

93. Within recent years there has arisen a new term of "intermediate" credit. It applies generally to loans of maturities between six months and three years. It originated in a demand for a longer period of time on certain agricultural loans, such as those made for the rearing and fattening of cattle for market. The organisation of intermediate credit—in which the Government of the United States is directly concerned—is a development of the long term mortgage credit provided under the Federal Farm Loan Act of 1916. The following extract from the final report of the Agricultural Tribunal of Investigation briefly summarises the purposes of this Act:—

“The Federal Farm Loan Act of the United States, passed in 1916, is a variant of the principle of the *Land-schaft*. Loans are made to farmers by twelve Federal Land Banks, each operating in a separate district, with a capital of not less than 100,000*l.* The Government will, if necessary, make up the subscription to this amount, but it is expected that its contribution will in time be returned. The borrower must join a Farm Loan Association, subscribing 5 per cent. of the loan he requires, and having a liability up to that amount. This amount is subscribed by the Association to the stock of the Loan Bank, from which therefore the profits circulate down to

the associations, and through them to the subscribing farmers. Each association guarantees its own mortgages, and each Federal Land Bank guarantees the bonds and coupons of the others. There is thus a very broad basis of insurance. The most notable feature of the American administration is that the bonds of the Federal Loan Banks are sold to the public free of all taxation. It is therefore not surprising that on these terms capital was readily obtained; but some controversy has arisen over the effects of this subsidy on the Federal revenues."

94. In 1923, this method was extended to intermediate credit, by the creation of yet another set of institutions—the 12 Federal Intermediate Credit Banks. Located in the same cities and under the same management as the Federal Land Banks, they are also subject to the general direction of the Federal Farm Loan Board. Under the Act of 1923, the Secretary to the Treasury was authorized to subscribe for all the capital stock of the Federal intermediate credit banks amounting in each case to \$5,000,000, thus making them a government institution for carrying on a banking business.

95. The primary function of these banks, is to discount for, or purchase from banks, trust companies, agricultural credit associations, incorporated livestock loan companies, and agricultural co-operative societies, notes, drafts, bills of exchange, debentures or other such obligations, the proceeds of which have been advanced or used in the first instance for an agricultural purpose, including raising, breeding, fattening, or marketing of livestock. They may also make loans direct to co-operative associations secured by warehouse receipts or by chattel mortgages on livestock. The loans, advances and discounts of the intermediate credit banks must have maturity of not less than six months nor more than three years. In order to increase their loanable funds these banks are further empowered to issue collateral trust debentures with a maturity not exceeding five years, which, as in the case of the Federal Land Banks are tax exempt. These debentures are secured by agricultural and livestock paper under rules and regulations prescribed by the Federal Farm Loan Board, but the debentures outstanding must at no time exceed 10 times the capital and surplus of each bank.

There are a number of minor channels of credit open to the American farmer which need not be described here. The above give some of the principal provisions in regard to short term and intermediate credit.

96. From these facts, it is easy to perceive that the American agricultural credit system has achieved two important economic results. Firstly by opening up the great resources of the Federal reserve system to agriculture, and by creating new channels through which capital can be raised by means of the Federal Land Banks, Joint Stock Land Banks, and the Federal Inter-

mediate Credit Banks, it has made the savings of the general public more accessible to agriculture, and secondly by securing short term loans largely upon livestock, crops, and other forms of temporary wealth, it has mobilised the resources of agriculture for the purpose of credit. To agriculturists in this country, accustomed to a more old-fashioned system of banking, the degree to which this has been carried may well seem astonishing. There is no form of agricultural wealth, be it crops, livestock, machinery, stores, buildings or land which cannot readily be made available for this purpose.

97. Whatever may be the economic consequences of these developments, they appear to have had at any rate one important practical result, namely, to furnish the farmer with a greater volume of credit through the banks, than is the case in this country. On the basis of reports made to the Comptroller of the Currency, the Department of Agriculture estimated that the banks of the United States had outstanding on January 1st, 1921, approximately, \$3,869,891,415 in short term loans to farmers. This is exclusive of "intermediate credit," and credit based on land, etc. Taking the rate of exchange at 3.75, it was equivalent to approximately £1,031,900,000.

98. The number of persons engaged in agriculture in the United States in 1920, was estimated at 10,953,000 approximately. So that the average amount of short term loans by the banks, per person employed in agriculture, was about £94. It was stated earlier in this report that the gross amount of loans to farmers by the five principal banks in Great Britain for ordinary trading purposes, which were outstanding in August, 1922, was estimated at approximately £20,000,000. To this might be added about £600,000 for loans from other banks. The number of persons employed in agriculture in Great Britain in 1921 was roughly, 1,345,000. The average amount of "short term" bank loans per person employed in agriculture amounted therefore to about £15 6s. 0d., or less than one-sixth of the average in the United States. It is not suggested that these figures are strictly comparable; there are conditions in respect of the two countries which would not permit conclusions to be drawn from them upon an exact numerical comparison. But taken at their face value they are sufficiently striking to provoke some very serious reflections.

Again, they may be approached from a somewhat different angle. It was stated earlier in the report that the gross value of the stocks and crops in Great Britain was estimated in 1922 at about £400,000,000. Taking the above figure of £20,600,000 for the short term bank advances to farmers, the gross volume of bank loans represents a little more than one twentieth of the value of the temporary wealth on the farms in the shape of stocks and crops. According to the fourteenth (1920) census of the United States the gross value of stock and crops on American farms was approximately 22,768 million dollars. If the short term loans to farmers

are taken at 3,869 million dollars, their gross value represents a little more than one-sixth $\left(\frac{1}{5.9}\right)$ of the value of the stocks or crops. Again, these figures are not strictly comparable, but at least we are entitled to conclude from them that the volume of short term credit available to farmers through the banks is larger—apparently very considerably larger—in America than in this country. What is the reason of this wide difference? Can it be suggested that British agriculture has no need of an equivalent volume of credit? Will anyone presume to say that it is because the English banks are excessively cautious or excessively conservative? It is of course possible that the economic need for credit is less in this country than in the United States, but, however this may be, can we, in view of the foregoing analysis of the credit systems of the two countries, resist the conclusion that one cause of the difference is the fact that in America agricultural wealth is fully mobilised for the purposes of credit, while in this country it is not? It is the availability of agricultural wealth as security for loans, and not the multiplicity of lending institutions that is the really striking feature of the American credit system.*

99. When we return, therefore, to the consideration of the problem in Great Britain, this brief survey of American conditions only goes to reinforce the view expressed earlier in this report—that the problem of agricultural credit is not one of creating new lending institutions, or merely of improving the methods commonly employed, but is rather one of so mobilising the wealth of the farming industry as to render it fully available as a basis upon which credit may be provided, through existing institutions.

* To avoid misapprehension, it is necessary here to refer back to the earlier part of this report, in which the special difficulties of the credit situation in America during 1921 and 1922 were referred to. It was pointed out that many people had come to the conclusion that in those years the farmer had received too much credit. Clearly, however, this was not a fault of the system. If anything, it was a mistake of judgment, committed alike by borrowers and lenders, at a time when the future economic conditions of the industry were exceedingly difficult to forecast.

CHAPTER V.—RECOMMENDATIONS.

100. It remains to gather up the threads of this exceedingly complicated subject, and attempt to apply the results of the foregoing analysis to the special conditions of British farming. If it is to be sought to mobilise not only permanent, but temporary agricultural wealth such as growing crops and stock, the crux of the problem is the nature of the charge to be given on these commodities, and we may therefore turn immediately to an examination of this question.

Short Term Credit or Credit for Current Trading Purposes.

101. The equivalent in this country of the American chattel mortgage is the Bill of Sale. In its original sense, a bill of sale is a legal document assigning personal property. The term has, however, come to be applied to mortgages as well as to sales, and the expression may now be understood to signify a document giving evidence of sale or mortgage of chattels, unaccompanied by an actual transfer of possession to the purchaser or mortgagee. Under the Act of 1854 it was provided that all bills of sale as defined in the Act, would be void unless registered. The law in regard to Bills of Sale is now embodied in the Acts of 1878 and 1882, under which bills of sale are of two kinds—*absolute bills of sale*, where chattels are sold absolutely to the purchaser, and *bills of sale by way of security for the borrowing of money*. As regards the latter class, all such bills of sale must be made in accordance with the form given in the Schedule to the Act of 1882.

102. The bill must have annexed to it an inventory of the chattels comprised in it and it must be duly attested by one or more credible witnesses. It must truly set forth the consideration, and the grantor must be the "true" owner of the goods described in the Schedule. It must be registered within seven days after its execution, and is subject to an ad valorem stamp duty. The register is open to inspection. When the grantor is resident outside the London Bankruptcy District or the chattels are in a place outside this district, the Registrar must transmit an abstract of the contents of the bill in the prescribed form to the county court Registrar. These abstracts are filed and indexed and are open to inspection.

103. The various trade protection papers always publish the registration of a bill of sale, and the usual effect of this is to dry up the fountain of credit from other sources. A bill of sale is consequently regarded as an instrument which is only used as a last extremity, and there is no parallel to the widespread use of the chattel mortgage in the United States. That this is the case seems to be due partly to psychological reasons and partly to conditions inherent in the present system in this country. In consequence, the bill of sale is commonly thought to carry with it a

kind of stigma, and the execution of a bill of sale is often regarded as equivalent to an act of bankruptcy. It is obvious, however, that to pledge a growing crop as security for a loan is no more disgraceful than to pledge land or buildings, and that far from being an act of bankruptcy, to do so might be a perfectly proper and prudent act of a successful farmer in carrying on his business on the most economical and up to date lines. The fact remains, nevertheless, that the ordinary British farmer has a deep rooted objection to publicity, particularly in regard to his financial standing, and this prejudice leads him to discard any means which he supposes would depreciate his character for financial well being, however illusory it may really be. It is the publicity attached to a bill of sale, combined with the fact that the farmer raises so large an amount of credit by means of uncovered loans of one sort or another, depending on his personal reputation, which renders it useless as an ordinary credit instrument.

104. The prejudice against publicity is a fundamental difficulty in the problem of agricultural credit in this country; it is to be seen not only as regards the matters discussed here, but in the attempts to establish co-operative credit societies amongst smallholders. Much has been written on the subject of agricultural credit without giving adequate weight to this fact, but to ignore the psychological aspect of the question is possibly to ignore the most important factor of all. A legal obstacle to the development of a rational credit system can, if necessary, be removed; an obstacle which is embedded in the minds and characters of the persons for whose use the system is intended, cannot be removed and must be accepted as an essential element in the problem. Far from dismissing such difficulties as these on the grounds that they are merely prejudices, we must rather make them the starting point of any constructive plan of agricultural credit, which must both conform to the economic needs of British agriculture and respect the susceptibilities of British farmers. Notwithstanding therefore the fact that the bill of sale provides a means of charging temporary agricultural wealth and so making it available as a basis of short term credit, we are bound to reject it as impracticable. The solution must be sought in other directions.

105. Suggestions have from time to time been made, that the solution lies in the creation of an agricultural bank, to undertake the business of providing short term credit for agriculture. Such an institution would, it is claimed, give better credit facilities than the ordinary banks because it would have a more intimate knowledge of farming conditions and would be more sympathetic towards the farmer's needs; it would avoid such mistakes as calling in a loan at an inopportune moment when to continue it would have been better both for the farmer and the bank. There is evidence that cases occur where banks have taken this action at a time when, had they possessed a greater knowledge

of farming, they would undoubtedly have delayed for a longer period. On the other hand, can it be asserted that cases the reverse of this do not occur, where better knowledge of farming would have caused the banks to call in loans earlier than they have actually done? Taking a broad view of the question, there is no conclusive evidence that wider acquaintance with farming technique on the part of the lending institutions would lead to a greater volume of credit for farmers.

106. But there are more serious objections to this proposal. The establishment of an agricultural bank would presumably mean the formation of a net-work of local branches in rural districts, and before they could be of serious value they would have to withdraw the rural banking business from the existing joint stock banks. How is this to be done? Is it likely that the agricultural bank would be able to attract deposits which now go to the joint stock banks? Is it not almost certain that depositors would continue to prefer the large joint stock banks? The difficulty seems an insuperable one.

107. Again, it has been suggested, agricultural loans might be made on the recommendation of a local committee such as the County Agricultural Committee. Such a scheme was tried during the war, but the objection to it was the measure of publicity involved in the intervention of the committee; the experience of recent years is sufficient to suggest that this publicity would be fatal to the success of the proposal. One is bound to conclude therefore, that proposals to establish an agricultural bank, notwithstanding certain attractive features which it may seem to possess, and all proposals based on the intervention of advisory bodies between the borrower and lender must be rejected.

108. The reasons have already been explained which make merchants, auctioneers and dealers an undesirable source of credit for agriculture. On the other hand all the evidence points to the conclusion that the best sources of credit for current trading purposes are the ordinary joint stock banks. In the banks we have the natural medium through which the savings of the public are collected and transferred to industry for the financing of short period operations. Lending money for such objects is their primary business, and they possess resources and experience which no other system can hope to rival. The cost of bank credit is easily ascertainable and, it can hardly be doubted, is, in the end, cheaper than that obtained through an indirect channel. Lastly, the banks are now so widely developed in rural districts as to include a branch in most substantial villages. If this position is accepted, then the short-term credit problem as already stated becomes primarily one of rendering agricultural wealth as fully available as possible for the purpose of borrowing from the banks.

109. It is accordingly proposed that legislation should be enacted enabling a valid charge on certain assets, representing

“temporary” agricultural wealth, to be given in favour of the banks, ranking in priority to all other charges except those in respect of rent, rates and taxes.* The charge would be in the form of a chattel mortgage, and the character of the commodities which could be charged, should be defined by law.† The execution of a chattel mortgage of this kind would be permitted for one purpose only—namely, to furnish security for money advanced to agriculturists or agricultural co-operative societies by the banks. By reason of the charge ranking in priority to other charges (with the above exceptions) a notification of the lien created in the property would be necessary only in the cases of other banks.‡ In these circumstances the problem of registration—the chief difficulty as regards the Bill of Sale—could be greatly simplified. It is recommended that provision should be made for the establishment of a *central bankers’ register* open to inspection by all banks, but not open to inspection by the public, in which all mortgages executed under these provisions would be registered.

110. Further protection would be required by the banks against the possibility of the mortgagor disposing of the mortgaged property and appropriating the proceeds. It is suggested that the American precedent should be followed. The mortgagor would be free to convey only such interest in the property as he might possess above the mortgage; he would be free to dispose of the mortgaged property when he wished, but would be required to notify the bank when he did so, and to pay the proceeds (or a part thereof, in accordance with the terms of the mortgage) to the bank in satisfaction of the debt. Penalties sufficient to act as a reasonable deterrent, must be prescribed for infraction of these regulations.

In the case, however, of co-operative societies, or (in some circumstances) of individual farmers, it might be desirable that the charge should take the form not of a specific charge on certain defined property, but of a floating charge upon the liquid assets on the farm or in the possession of the co-operative society. Where security is required as cover for a bank overdraft varying in amount from time to time, this method might simplify the procedure. It is therefore suggested, as an alternative method, that the banks should be empowered to take a floating charge

* In this connection it may be of interest to observe that the “Co-operative Societies Act” of 1912, relating to the formation of co-operative societies in India, gives to registered societies a claim in priority to other trading creditors (but ranking after the claims of the Government or of landlords) in respect of farmers’ debts, whether created by way of money advances or by the supply of farm requisites. A similar example is to be found in the case of Austria.

† The object of this definition would be (1) to limit the use of this instrument to agricultural purposes, and (2) to preserve a broad distinction between short term credit based on “temporary” wealth, and long term credit based on “permanent” wealth.

‡ The position of tradesmen creditors is discussed below.

on the whole of the borrower's liquid assets which would be eligible for a specific charge, ranking in priority to all other charges except those in respect of rent, rates and taxes, and subject to the same arrangements in regard to registration, as in the case of the chattel mortgage.

111. It is not proposed here to develop these recommendations in greater detail. It is obviously a matter which will require very careful consideration, and many important points of law would have to be dealt with. All that is necessary here is to suggest the general lines upon which action might be taken, leaving all matters of detail for further consideration. One point as regards co-operative societies will require special attention, namely, the use of a warehouse receipt for agricultural stores, as an instrument of credit. In the United States warehouse receipts are used to an increasing extent as collateral for bank loans, but the lack of adequate supervision over stored products was at first an obstacle to their extensive use. Eventually the United States Warehouse Act was passed in 1916 in order to create a uniform system of warehousing farm products, and to provide a warehouse receipt which would be generally acceptable to bankers as security for loans.

112. The next point is to consider the effect of these proposals on the present sources of credit, other than the banks. As regards the landlord the position would remain unaltered; but, in regard to the merchant, auctioneer and other trade creditor, it might be profoundly modified, and might considerably reduce the volume of credit available from these sources. As stated earlier in this report, however, to free the farmer from the credit entanglement which his habit of borrowing from tradespeople often imposes upon him, should be one of the objects of a rational credit system. It is one of the primary reasons for the above proposals. Instead of purchasing farm requisites from the merchant on credit the scheme would offer a definite inducement to the farmer to borrow—when necessary—from the bank and pay cash to the merchant, availing himself of the discount for cash commonly offered by sellers of farm requisites. Undoubtedly this would be cheaper than obtaining credit from the merchant, and the farmer would know what the credit cost him. Nevertheless it would seem desirable that these proposals should offer an alternative, rather than close the door upon credit given by tradesmen. It has to be remembered that the merchant seldom takes a legal charge on farm produce; he relies rather on an undertaking by the farmer to sell certain produce to him. Under the above proposals the position would be as follows:—If a farmer sought to obtain credit from a merchant, it would be open to the latter to ask the farmer for a reference to his bankers or an authorisation to enquire from the bank whether it had any charge on the stock of the farm. The merchant must then use his discretion. But it is to be hoped that the farmer would cease to use the merchant:

as a source of credit, for until he knows precisely what credit costs, there can be no chance of his being able to form a true judgment of its economic value.

Co-operative Credit.

113. There remains the question of co-operative agricultural credit so widely practised on the Continent; it particularly concerns the class of smallholders often recruited from persons with little capital. It is unnecessary here to enter into a description of the Raiffeisen and other co-operative systems in Germany and the various modifications in other countries. The subject has been fully described elsewhere.* In this country a few societies have been established on the Raiffeisen model, but their activities have been very restricted. The latest attempt to apply the principles of co-operative credit in Great Britain is embodied in section 2 of the Agricultural Credits Act, 1923. It has not been a success.

114. It may be worth while to mention briefly the chief differences between the system under the Act of 1923 and the Continental system. Firstly, in the former the liability is limited and in the latter (the Raiffeisen system) it is usually unlimited; secondly, receiving deposits is not an essential part of the English method, the main source of funds being the State, while on the Continent local deposits are essential, and are the primary source of funds. These matters were fully considered by the Committee on Agricultural Credit, and there can be no doubt that their conclusion to the effect that the principle of unlimited liability is inapplicable to this country, was a sound one. The scheme was therefore formulated on the basis of each member of a credit society being entitled to hold an unlimited number of £1 shares upon which 5s. had been paid up, his liability being limited to the amount of his share holding. The State is empowered to lend a society £1 for each £1 share so held, the State's advance being secured by a floating debenture upon the whole of the assets of the society. A general outline of the scheme is given in Appendix II.

115. Notwithstanding the differences between this and the Continental system, the method of applying the principle of co-operative credit under the Act of 1923, provides what is the really essential feature of any co-operative credit system, namely, a means of improving the credit status of the borrowers. It links together and mobilises the credit of a large number of persons, and is thus a system peculiarly well adapted for the assistance of small cultivators. It is clear, however, that the Raiffeisen system has certain advantages. The fact that the majority of members of a Raiffeisen society are peasant proprietors, coupled with the plan of unlimited liability no doubt

* "An Enquiry into Agricultural Credit and Agricultural Co-operation in Germany," by J. R. Cahill. 1913.

gives the society a foundation of great security, and largely increases its power of attracting rural savings. Nevertheless, the wonderful success of the Raiffeisen societies cannot be attributed to the particular forms in which the co-operative principles have been applied—indeed, the fact that attempts to apply exactly the same form in this country and on the continent of America have so frequently failed, is sufficient proof of this. The reason of their success lies in the characteristic thoroughness and tenacity with which the German-speaking people have used and developed them, even, for example, to the extent of borrowing the savings of the village school children. That societies organised and managed often by the poorest classes of the rural population should have developed into a banking business of enormous proportions and should have been carried on with a very high degree of efficiency, has not unnaturally excited the admiration of the whole world.

116. In like manner, the failure of the Act of 1923 cannot be attributed to any particular defect in its application of the co-operative principle. There may be defects, and this matter is referred to below, but after the experience of the last two years there can be little doubt remaining that the chief cause lies in the general apathy of farmers—partly due to an inherent conservatism, partly to a dislike of co-operation. This dislike is particularly strong when applied to such schemes as these, because it involves not only a disclosure of a borrower's financial position to a committee of his neighbours, but also because it involves a liability for somebody else's default. It is, perhaps, the last which has been the most strongly expressed objection; indeed, it has given rise to some very curious expressions of opinion. To take two examples by way of illustration. Early in 1924 steps were taken in a certain locality with the object of forming a credit society under the Act of 1923. A number of influential persons interested themselves in the proposal. Eventually, however, a meeting was held at which the following remarkable resolution was adopted:—

“That this conference, met to consider the advisability and practicability of forming a credit society, reluctantly decides that it is impossible to form such a society under the Act of 1923, unless and until the Government are prepared to guarantee the members from loss, and to advance their contribution to the society at such a rate of interest that will leave a margin of 3 per cent. between the borrowing and lending rate.”

117. In another county the promoters of a proposed credit society came to the conclusion that their efforts had failed, firstly, because persons who might be willing to become members of the society considered that they were taking a greater risk in taking up shares with a liability for a further call of 15s. per share, than was the Government in “advancing 20s. on the

security of their liability of 15s. per share"; and secondly, because the rate of interest "is considered excessive."

118. Such critics appear so much to misunderstand the nature of credit as to expect the lender instead of the borrower to accept liability for the money borrowed. It is hardly surprising that to such people the principles of co-operative credit do not seem attractive. But they form an illustration of an attitude of mind which is by no means confined to only two districts.

119. As regards the rate of interest which is another ground upon which the Act has been assailed, both in the above cases and elsewhere, the Government lend to a credit society at Bank rate with a minimum of 4 per cent. It is obvious that on the same security a credit society could not borrow either as much or as cheaply from a bank or other commercial source, nor is it likely that the Government, having regard to the nature of its obligations under this Act, could borrow at a rate which would enable it to reduce the rate of interest. To lower the rate on the Government advances would therefore mean to introduce a concealed subsidy, and notwithstanding the example of France, where a very low rate of interest is charged on Government advances, to make any agricultural credit system the means of conveying a concealed subsidy to agriculture is open to very grave objection.

120. There are, however, certain points of detail which appear to diminish the usefulness of the Act and which might be improved if an amendment of the Act were contemplated. These are dealt with in Appendix II. Subject to these suggestions, there is no reason to doubt that the scheme of short-term credit embodied in Section 2 of the Agricultural Credits Act is capable of fulfilling the purpose for which it was designed, and offers to the smaller farmer a valuable additional source of credit, if he cares to avail himself of it, *so long as the State is prepared to find the money and carry on the administration of the Act.* This last condition, which is the special feature of the Act of 1923, must now be examined.

121. It has been pointed out that the essential importance of co-operative credit is that it enhances the credit status of the individual borrower—the fact of incorporation, the fact that the resources and responsibility of several individuals are combined together, increases the confidence which lenders feel towards them. It short it creates an "asset." It is equivalent to the asset of goodwill upon which, as we have seen, corporate industry extensively relies in order to attract the savings of the private investor. This is all there is in co-operative credit; the rest is a question of machinery. It makes no difference in principle whether the lender is the State as in this country, depositors as in Germany, or whether it is the banks. But it raises an important question of policy.

122. In the first place, the response to the passing of the Act has been so small that only an insignificant fraction of the amount of money originally voted, has been required to meet demands for advances. But had the Act met with wide popularity, large sums of money would have had to be raised by borrowing from the public. In principle borrowing by the State for such purposes is open to criticism because the security offered to the public is not that of the farmer, but is the security of the State itself, and in so far as the resources of the State are pledged for this purpose, its power to borrow for other purposes is diminished. In times of financial stringency such as the present, it is therefore specially undesirable. Had the Act been popular there is little doubt that difficulties would subsequently have been experienced under this head. In the second place, the fact of the State being the lender inevitably places the work of general administration, and of supervision of the credit societies upon a public department. It is at least a matter of serious doubt whether a public department constituted for a very different type of administrative work, is suitable for carrying on work which is closely analogous to banking. Experience during the last two years has been evidence of this. It has shown that a central administrative authority such as the Ministry of Agriculture and Fisheries, responsible for the proper use of the public money entrusted to it, cannot avoid being brought into matters of detail affecting localities, and many minor points must be referred to it for decision. Were this to be developed on a large scale there is little doubt that the Ministry would be involved in a mass of detailed work, difficult and costly to carry out satisfactorily. Thirdly, the fact that the State cannot at the best, lend money at less than bank rate, is liable to make the margin between the rate of interest at which a credit society borrows and the rate at which it can reasonably lend, a somewhat narrow one, as had already been seen. Finally it should be emphasised that for co-operative credit to be of greatest benefit, it should be supplementary to the credit provided by the banks; it should not be a rival system. By introducing the State as the chief lender, not only have the knowledge and experience of the banks been lost to the co-operative credit movement, but the credit societies are in some degree in opposition to them.

123. If the co-operative credit movement is ever to attain a real vitality amongst British agriculturists, these constitute weighty objections to the State acting as lender. It is suggested the intervention of the State as lender is unnecessary; that while retaining the essential economic value of co-operative, or combined credit, the principle may be applied in a simpler way, taking advantage of the fact that—unlike Germany and other continental countries—we have a widely extended system of joint stock banks. There is no reason in principle why farmers should not offer the security of their combined credit to the banks as much as to the State. In either case the security

is the same. The proposal is accordingly put forward that the machinery of agricultural co-operative credit should also be operated through the banks, and that Section 2 of the Agricultural Credits Act should be allowed to lapse.

124. The scheme suggested is as follows :—

Agricultural co-operative societies should be registered under the Industrial and Provident Societies Acts having for their objects the endorsement of members' promissory notes or bills of exchange. Membership would be constituted on much the same lines as that of credit societies formed under the Act of 1923, and it would be open to anyone resident in the defined area to become a member by taking shares in the society. Shares might be of nominal value of £1 with, say, 1s. paid up. Members' liability would be limited to the nominal value of their share holding. A member desiring to borrow money for an agricultural purpose would in the first instance apply to his bank—if he had one—for a loan. The bank in accordance with its knowledge of his character and circumstances might permit an unsecured overdraft up to a certain amount; if this were insufficient, it would be open to the borrower to offer as security, a promissory note endorsed by his society. The local bank or banks, would be in close touch with the society and, if possible, would be represented on the committee of management. The gross amount of the loans which the banks would make, secured upon the combined credit of the society, would of course depend upon their estimate of what this security was worth. But membership would be open not only to the small cultivator, but to large farmers, landowners, corn merchants and others whose direct interest was more in the general prosperity of the neighbourhood, than in the personal benefits they might derive from the society. There is little doubt that in many districts persons could be found who would be willing to join a society in this way. The membership of persons of standing in the locality would obviously add to the value and prestige of the society and consequently improve its status with the banks.

125. But, however the membership were constituted, it is at least unlikely that the banks would agree to the total loans made on the security of the shares of the society reaching a gross amount equal to 100 per cent. of the nominal value of its shares, as is the case with credit societies formed under the Agricultural Credits Act. In lending one pound for each pound share held by the members the State clearly takes a risk which commercial banks would not take, and to this extent the scheme is admittedly less favourable than the existing method provided by the Agricultural Credits Act. This is by no means a fatal objection, but it means that the combined liability of members would be less effective as a basis of borrowing than under the present scheme. The difficulty could of course be overcome by the State taking an equivalent number of shares in the new societies. This would mean that the State would be liable for

a certain proportion of the risks, but in taking this liability it would be doing no more than it does now. These shares might be held for an indefinite or for a limited period.

126. The amount of money a member would be entitled to borrow on the society's endorsement would be restricted in proportion to his share holding and to the total share capital of the society, as in the present scheme, and the period for which loans were made would be limited. Each member might be required to pay an annual subscription which would be devoted exclusively to the creation of a reserve fund, and it might, if necessary, be arranged that the Government's share holding should be cancelled by annual amounts as the reserve fund was built up.

127. This scheme would have certain material advantages over the present one :—

(1) It would eliminate the State as an intermediary between the lending public and the agricultural borrower, and would obviate the difficult question of public finance which it involves.

(2) It would, on the other hand, bring the ordinary savings of the public deposited with the bank, within the reach of the small cultivator whose material assets might be insufficient to allow him to borrow from the banks in the ordinary way.

(3) It would be administered through the banks and would therefore be definitely supplementary to the ordinary credit allowed by them and would benefit by their knowledge and experience.

(4) It would enable loans to be made at a lower rate of interest—usually 1 per cent. above bank rate—without involving the present difficulties in regard to the administrative expenses of a credit society.

(5) It would permit greater elasticity in the use of the money for agricultural purposes.

(6) It might well form a means by which persons interested in the prosperity of a locality might be brought together and through which they might render practical assistance.

(7) It would appear to require no further legislation.

128. It is hardly within the scope of this Report to work out this proposal in greater detail. Evidently, there are many points which could be settled in a variety of ways—such as the amount and duration of the State's share holding—if any; the question as to whether the societies should be empowered to endorse bills of exchange for ordinary trading purposes; the restriction of the amount and duration of loans to members, etc. It is suggested that, should the time come when there seems greater prospect than at present of a successful development of the principles of co-operative credit in this country, the subject should

be examined in detail, and that the co-operation of the banks in developing the scheme should be sought.

Long Term Credit.

129. Finally, we may turn to the question of long term and intermediate credit for the purchase of farms, and the execution of improvements requiring a substantial outlay. To make long period loans is not part of the ordinary business of the joint stock banks; they prefer to keep their resources more mobile. For this purpose and for this purpose alone, it is therefore recommended that a special lending institution should be created.

130. Reference may again be made to the definition of the problem of agricultural credit given at the outset of this Report. It is:—to find “an adequate agricultural substitute for the industrial joint stock method of obtaining working as well as initial capital.” Initial capital in the case of joint stock companies is largely raised by public investment in standard forms of stocks and shares. What is wanted is an agricultural equivalent of this method. This is the specific problem of long term credit.

131. There appears to be nothing in the conditions of British agriculture which would prevent the principle of the German *Landschaften* or Mortgage Credit Banks, or of the American Federal Land Banks or Joint Stock Land Banks, being applied to this country and it is suggested that a solution of the problem should be sought on these lines, subject to the necessary modifications which may be required in order to conform to British conditions. The essence of this plan is to grant first mortgages on agricultural land and to raise money for the purpose by the issue of bonds to the public secured upon these mortgages, and thus, in the words of the preamble of the Federal Farm Loan Act—“to provide capital for agricultural development and to create a standard form of investment based on a farm mortgage.” The following summarises the method of the *Landschaften* :

“The fundamental idea is the issue by the *Landschaft* of land bonds based on the estates mortgaged in its favour. But the bonds are not issued on the security of specific properties; the guarantee behind them is the collective guarantee of the members. The borrower is paid at par value in bonds which he may realise in the market or through the agency of banks attached to the societies. The loan is usually up to two-thirds of the value of the property. He has the right to repay by an annuity, or by special instalments at any time. He can cancel his loan by purchasing and tendering bonds. On the other hand, the holder of the bonds cannot at any time demand repayment, but can realise in the market. Bonds are called in according to the progress of repayment and the accumulation of funds from the annuities.”*

* Final Report of the Agricultural Tribunal of Investigation, p. 110.

132. Although other long term credit institutions exist in Germany, the *Landschaften* are the main rural type, and the total amount of rural credit granted by mortgage banks and institutions through the *Landschaften* in 1912 was stated (according to the Report of the International Institute of Agriculture) to be about three quarters of the whole. The mechanism of the Federal Land Banks in America was referred to in the quotation on p. 45.

133. The American Joint Stock Land Banks on the other hand are free to lend upon specific property and do not possess the co-operative features which characterise the *Landschaften* and the Federal Land Banks. They are probably the best model for this country. The Joint Stock Land Banks are also free from a number of restrictions which apply to the Federal Land Banks, but like the latter are subject to the rules and regulations of the Federal Farm Loan Board. Such banks must have a minimum capital of 250,000 dollars, one half of which has to be paid in cash by the stockholders before a charter is granted, and the balance is subject to call by the Board of Directors; the issue of bonds to investors is restricted to 15 times their capital and surplus (as compared with 20 times in the case of the Federal Land Banks). These bonds provide the funds out of which the mortgage loans are made, the security behind them being the value of the properties mortgaged, plus the subscribed capital. The Government of the United States has permitted these bonds to be exempt from taxation—a device which was intended to make the investment more attractive. The important feature of all these methods is that they create a standard agricultural investment, thereby establishing a recognised channel through which the public may invest their savings in agriculture. This is the reform which, it is suggested, should be aimed at in this country.

134. Great Britain occupies an almost unique position in having no standard machinery of long term agricultural credit based on farm mortgages—with the exemption of the restricted machinery provided under Section I of the Agricultural Credits Act, 1923. Farmers in the past have obtained mortgages on their farms from solicitors and others, but have always felt some uncertainty as to period such loans will be allowed to run, and there has been no uniform method of redemption, circumstances which have proved in many cases to have acted detrimentally upon farming practice. Some effort to fill the gap has been made in the face of considerable difficulties by the Farmers Land Purchase Company, but so far the amount of business it has transacted is relatively small.

135. It is accordingly proposed that a *Central Land Bank* should be established following in some measure the principles of the American Joint Stock Land Banks but confining the scheme to the creation of a single institution, the object of which would be

to make long term mortgage loans through the joint stock banks and their branches, and to raise money for the purpose by the issue of debentures to the public. A certain minimum capital should be prescribed. It should be governed by a Board of Directors and should be empowered to lend money up to a prescribed period, based upon a first mortgage on agricultural land and buildings. It should be empowered to issue debentures to the public based upon these mortgages up to a fixed multiple of its capital and surplus funds. In estimating the value of the land and buildings comprised in such mortgages, it would be necessary to adopt a conservative basis in order to make the debentures a reasonably safe and attractive investment. But it is not recommended that the American expedient of making them tax exempt should be followed, since this plan obviously involves a concealed subsidy of an undesirable kind.

No doubt steps could be taken to develop a market for these debentures. In this connection, it is interesting to note what took place in America. The following quotation from the Year-book of the Department of Agriculture, Washington, 1925, refers to the issue and sale of bonds by the Federal Land banks :—

“The funds used in making these loans are obtained through the sale of tax-exempt bonds secured by farm mortgages taken for the loans. These bonds are issued in denominations of \$40, \$100, \$500, and \$1,000 and even much larger denominations subject to retirement at the option of the bank 10 years after date of issue. Each bank may issue bonds up to twenty times the amount of its capital and surplus. Every bank is jointly liable for the bonds issued by the 12 banks. While not obligations of the Federal Government, the collateral securing these bonds has the close supervision of the Government. This fact, together with their tax-exempt feature, creates for these bonds a good market at low interest rates. In fact they have been selling at yields only slightly above those of some other Government securities, and a market has been found for them at rates uniformly lower than those paid on long-term corporation securities. In short, it is apparent that the farmer is obtaining through the Federal farm loan system farm mortgage credit at rates that compare favourably with those paid by other industries. In order to build up a broad and dependable market for the bonds, the Federal land banks offer their bonds through bond houses that have connections in all parts of the country and likewise through local national farm loans' associations. In order to better co-ordinate the bond-selling activities of all Federal land banks, a fiscal agent was appointed in the spring of 1923.”

136. Loans to farmers would be made through the Joint Stock banks and their branches who would act as agents for the Central Land Bank.

137. In addition to long term mortgage loans, it is highly desirable that the Central Land Bank should be able to handle the business of "intermediate" credit. The latter would include loans for such operations as silage, drainage, erection of barns and minor buildings, and general improvements and might be secured, where necessary, by a second mortgage on the property. In the present economic circumstances, where high taxation is bearing with severity on landlords, with the consequence that less money is being expended on the upkeep and improvement of farms, this aspect of the credit problem is of special importance.

138. To sum up. This proposal should have the following advantages :

(1) It would establish for the first time in this country a uniform standard system of long term mortgage credit for agriculture.

(2) It would give new facilities to farmers who wish to purchase their holdings, by providing mortgage credit at a reasonable rate of interest, in a standard and universally applicable form and free from the risk of unexpected foreclosure.

(3) It would create a standard agricultural investment, thus opening up a new channel through which capital could enter agriculture.

(4) It would be administered through the joint stock banks and would have the benefit of their knowledge and experience ; it would be simple and secret.

139. It is not necessary to discuss this proposal in greater detail here. Many points will require consideration, including the ownership and control of the Central Land Bank, the definition of the classes of land and other wealth which might be the subject of a mortgage under this scheme, the method of valuation, the duration of the loans, the character and scope of "intermediate" credit, the nature of the charge for improvements, the relation of the Central Land Bank to the joint stock banks, the position of the Lands Improvement Company, and of the Farmers Land Purchase Company, the statutory first charge in respect of loans made under the Improvement of Land Acts and under the Lands Improvement Company's Acts. The proposal is put forward here for further examination, and it is suggested that at an early stage the National Farmers' Union and the banks should be consulted in the matter.

Conclusion.

140. It will be observed that the effect of the recommendations contained in this report would be to concentrate in the hands of the joint stock banks the whole business of agricultural credit. The main reason which has led to the conclusion that

this course is desirable is the fact that the banks in this country are so firmly established and their branches so widely distributed that no other system of lending institutions could hope to rival their vast resources and experience. The question of agricultural credit in Great Britain is profoundly affected by this fact, since it places this country in sharp contrast with Germany, America, and some of the newer countries, where the lending institutions in rural districts were either insufficient in numbers or inadequate.

141. That the success of the proposals here put forward will depend on their proper and adequate administration by the banks is therefore obvious, and it may be the case that on these very grounds they will meet with some criticism from persons who have doubts as to the willingness or ability of the banks to serve the legitimate needs of agriculture. The joint stock banks now occupy a virtually monopolistic position. In the business of financing short period commercial operations they almost completely hold the field. They have become, in short, a great public service upon which all industries depend and from which agriculture has a right to expect adequate service. It has sometimes been thought that in times of growing trade prosperity the banks might discriminate against agriculture by transferring their funds to manufacturing industry and commerce where it can be turned over more quickly. But past experience does not appear to confirm this view. Indeed, beyond the fact that British banking is on the whole carried on upon "conservative" lines, there seems to be little evidence to support the above objection; moreover the anxiety shown by some of the leading banks to develop their rural business is some indication of the value they attach to it.

142. To criticise these proposals on the hypothesis that the banks might be inefficient lenders is, moreover, to fail to see the problem in its proper proportions. In knowledge and experience the banks are so immeasurably better equipped as lenders than the farmers are as borrowers, that the efficiency of the system as a whole for many years to come, must rest primarily with the latter, that is to say the benefits it may confer upon agriculture must depend on the extent to which farmers understand and make use of it. The evidence on this point is overwhelming. Amongst a large number of small farmers, ideas upon the proper use of credit are of the very crudest. Many do not believe that to receive goods from a merchant and not to pay for them for a year or more, involves any question of credit at all; some have even declared that the only people who ever *charge* for credit are the banks and money lenders. They consequently avoid both. But credit can only play its part in the economy of the farm efficiently, when its functions are fully recognised and when its uses are adequately measured. The problem of agricultural credit in its wider aspects cannot be solved by machinery alone; the machine will always need a high degree of skill in its use. Like other

productive industries agriculture requires not only a scientific but an economic technique. The efficient use of credit on the farm belongs to the latter.

143. In the evidence summarised in Appendix I the most commonly reiterated criticism of the farmers is to the effect that they have a strong prejudice against borrowing and would prefer to sell their produce in order to meet such charges as the Michaelmas rent, rather than resort to credit. So far as it exists, this prejudice no doubt springs from a praiseworthy reluctance to be indebted to others. With the inevitable risks which attend agriculture in all its branches the farmer not unnaturally has a fear of getting into deeper water if he contracts debts to outsiders. The farmer is an honest man of business and the prejudice against borrowing is a wholesome prejudice; but the truth is that the use of credit should not be governed by prejudice at all, but by a clear knowledge and judgment of its economic value and of the results which may reasonably be expected to be derived from its employment on the farm.

144. One or two of the many references which have been made to this subject by witnesses may be quoted by way of illustration :—

“ Taking very long credit from merchants is not accounted borrowing by the farmer, but when he finds that he really must pay, then he prefers to sell whatever he has rather than borrow.”

“ Farmers are shy and reluctant to borrow; preferring to undergo and endure any hardship rather than have anyone understand that they are really hard up. This is the attitude of mind that is responsible for the temporary congestion of markets at certain seasons.”

“ Farmers . . . do not recognise credit as a legitimate feature in business.”

“ One comes across individual farmers who stand out amongst their neighbours not always because they have more capital, but the fact that they have the capability of using it economically. This is very evident in a few cases where the farmer has entered the industry after having had a business career or is, perhaps, conducting a business along with his farm.”

One witness even goes so far as to express the following opinion :—

“ There is no more damaging effect on farmers' credit than the knowledge that he has financed his business with borrowed money, it therefore follows that they are obliged to adopt the only means at their disposal of securing capital to carry on, which is by hasty disposal of their stocks and crops.”

145. The true position is, of course, the reverse of this. Nothing should be *less* damaging to a farmer's credit than the knowledge he is financing his business on borrowed money, provided that he is using it efficiently for the production of agricultural commodities and not because of insufficient income; the vast majority of modern businesses are so financed. One consideration alone should govern the use of borrowed money—namely, whether it *pays*.

146. It is not to be inferred from the above that there are not plenty of farmers ready enough to make use of borrowed capital when the need arises, nor that there are not many who are first rate business men and know how to apply capital efficiently. But the burden of the evidence is to the effect that the majority of small farmers have yet to learn that "they should not regard borrowing as a last resource or a mark of distress, but as the proper means of carrying on an industry which is not capitalised on the joint-stock plan."* This is largely a matter of education.

147. It is easy, perhaps, to criticise the farmer, or blame him for want of knowledge on these matters, or by adopting a detached standpoint to fail to see the problem as he sees it. To apply the methods of modern finance to farming requires not only a versatile mind, but an aptitude for business methods. The farmer, engaged in an occupation remote from the life of the towns, with his mind mainly bent on problems of production, and with a long and conservative tradition in farming technique behind him, has had little occasion to look upon these things with the eye of a modern business man. His job is to grow food, and to that everything else is subordinated. Can it be wondered at if he is a little backward in developing the economic side of his business? Nevertheless, a knowledge of the economics of farming are as necessary to him as a knowledge of the science of production; the one reacts on the other. Where the economic conditions are misunderstood or misapplied farming suffers, and it is beyond dispute that a great proportion of British farming does suffer on this account. Inadequate attention to the economic problems of farming, where it results in a lower level of efficiency, is all the more to be deplored because the great qualities of courage and tenacity with which British farmers have again and again shown themselves able to face times of adversity and disappointment, seem thereby to fail to earn the reward they deserve.

148. It is accordingly suggested that questions relating to agricultural credit and its efficient employment on the farm should be made part of the curricula of agricultural colleges and of the general educational work of the Ministry of Agriculture; also that the powerful assistance of the National Farmers'

* Professor D. H. McGregor. Final Report of the Agricultural Tribunal of Investigation, p. 109.

Union should be sought, so that this work might be carried out on a uniform plan. In order to promote the development of agricultural credit on sound business lines, it is necessary that farmers should keep books, have checking accounts at the bank, have a *minimum* number of creditors, meet their obligations promptly, and apply to all departments of the farm the principle of scientific cost keeping. These should be the lines upon which such educational work should be conducted. It is noteworthy that in America, the banks, trust companies, and cattle loan companies have actively co-operated with the agricultural colleges in carrying out an educational programme of a similar character. We could not do better than follow their example.

Summary.

1. The problem of agricultural credit has been defined as that of finding "an adequate agricultural substitute for the industrial joint stock method of obtaining working as well as initial capital." Where corporate industry raises its capital by subscription the farmer must raise much of his by credit.

2. The capital needs of agriculture are of two kinds. The first is fixed capital to be sunk permanently or for long periods in the acquisition or improvement of land, and the purchase of equipment; the second is working capital to be used for short periods in the growing, harvesting and marketing of crops.

Agricultural credit is a means of facilitating the flow of capital into agriculture wherever it can be profitably used for these purposes.

3. For the intelligent employment of credit facilities a farmer should know two things: (1) what credit costs, and (2) what it earns when applied to the farm. Otherwise he cannot measure how much credit he can profitably employ. The first condition is fulfilled where a definite rate of interest is charged upon loans, as in the case of the banks; the second should be fulfilled as far as possible by the application of cost accounting to the farm.

Short-Term Credit or Credit for Current Trading Purposes.

4. This is the more important part of the subject. "Short-term" credit is required for such purposes as the purchase of stock, fertilisers, feeding stuffs, seeds, &c. Agriculture also has need of short-term credit to finance the operations of marketing. This part of the problem has received wide recognition in such countries as America and Australia. It applies both to the individual farmer and to farmers' co-operative marketing societies. The absence of an adequate supply of capital for these purposes leads to a premature realisation of produce, markets are frequently surfeited, and the farmer fails in this and other ways to secure the best price.

5. Agricultural co-operative marketing societies require credit to enable them to make advances to their members immediately on the delivery of produce, pending the realisation of the produce on the market.

6. The main sources of "short-term" agricultural credit are—

- (1) The Banks.
- (2) Tradespeople.
- (3) The Landlord.

7. Bank loans are mainly made by way of uncovered personal overdrafts, or against the security of a personal guarantor, or against collateral security, such as share certificates, title deeds, life insurance policies. They are not made upon the specific security of stocks and crops.

8. Tradesmen, including merchants, dealers and auctioneers lend a large amount of money to farmers in a great variety of ways. The practice is open to two very serious objections: (1) The cost of the credit is usually unknown, and (2) it very frequently causes the farmer to become tied to the creditor whereby he loses his freedom in marketing, and part of his legitimate profits. A merchant will supply fertilisers, feeding stuffs, seeds or other farm requisites on credit to the farmer on the understanding that the latter will sell his corn crop or other farm produce to the merchant. The merchant chooses his own time to secure the fulfilment of this undertaking, often to the farmer's great disadvantage. The hold which merchants, auctioneers, or dealers exercise in this way over farmers in some districts, has been described as "enormous."

9. The tenant farmer has a third source of credit in his landlord where rent, nominally payable at certain fixed dates, in reality is paid some weeks or months later. The landlord in allowing credit in this form relies on his powers of distress upon the property on the farm. The banks and tradespeople are, however, the principal sources of farmers' short-term credit.

10. One of the chief aims of a rational credit system should be to free the farmer from the credit entanglements which the system of borrowing from tradespeople often involves.

11. For ordinary trading purposes the joint stock banks are the best channel of agricultural credit. No other lending institutions (such for example as a system of specially created agricultural banks) could be expected to rival their resources or experience.

12. The weakness of the banks as a source of short-term credit lies not in their lack of knowledge or sympathy with the needs of agriculture (as has often been alleged), but in the inability of agriculture to offer the wealth it creates—its stocks and crops—as security for bank advances. The banks cannot take a charge upon these assets except by a Bill of Sale, which is usually fatal to any future credit.

The gross outstanding loans of the banks to agriculture for current trading purposes amount approximately to £25,000,000. The value of stocks and crops on farms in Great Britain at harvest time, exclusive of plant and machinery, of tenant right, of unexpended manures, and expendable stores, also exclusive of the production of milk and milk products and eggs, is roughly estimated at £400,000,000.

13. The problem of "short-term" agricultural credit is, therefore, rather one of mobilising the wealth of agriculture so as to render it acceptable collateral with the banks, than of creating new lending institutions.

14. The significant feature of the short-term credit system in the United States of America is the degree to which agricultural wealth is available as a basis of credit. The banks lend very widely against stocks, crops and other forms of agricultural wealth secured by way of chattel mortgages.

15. The Bill of Sale in this country is the counterpart of the American chattel mortgage, but the publicity attached to it destroys its utility as an instrument of credit. Publicity is fatal to any system of agricultural credit in Great Britain.

16. It is therefore proposed—

(a) That the machinery of "short-term" credit should be concentrated in the hands of the banks where the cost of credit is known, and where the farmer can escape from the abuses which the tradesmen-credit system often involves. But to make the bank system as fully effective as possible the banks should be empowered to take a charge upon the wealth on the farm.

(b) That legislation should be enacted enabling a valid charge in the form of a chattel mortgage in favour of the banks, to be given upon certain classes of farm produce (to be defined) ranking in priority to all other charges except those in respect of rent, rates and taxes, and to be used exclusively for the purpose of securing "short-term" bank advances to farmers.

(c) That as an alternative method, the banks should be empowered, instead of taking a specific charge by way of a chattel mortgage on certain defined property, to take a floating charge upon the liquid assets of a farm or of a co-operative marketing society, also ranking in priority to all other charges except those in respect of rent, rates and taxes. This arrangement might be specially applicable in the case of the latter, and might simplify the procedure.

(d) That a central bankers' register should be established in which these chattel mortgages or floating charges could be registered, open to inspection by the banks, but not open to inspection by the public. This would protect the banks and avoid the publicity about which the farmer is naturally sensitive.

(e) That the mortgagor should be left free to dispose of produce which is subject to a chattel mortgage when he wishes, so that he may take full advantage of a favourable market, but that he should be required to notify the bank when he does so, and pay the proceeds to the bank up to the amount of the debt. Penalties sufficient to act as a reasonable deterrent should be prescribed for failure to comply with these conditions.

17. The farmer would thereby be offered an inducement to borrow chiefly from the banks and to pay cash to the merchant, taking advantage of the discount for cash usually offered by the latter. The banks on their side would receive a much better security than under the present system.

Co-operative Credit.

18. It is proposed that procedure under Section 2 of the Agricultural Credits Act 1923 should be abandoned, and where there is need of co-operative credit, steps should be taken to form agricultural credit societies similarly constituted to the present ones, but instead of borrowing money from the State their object would be to endorse their members' promissory notes in respect of advances from the banks. The security behind such societies would remain as at present—their whole assets including the uncalled share capital.

Long Term Credit.

19. Great Britain occupies an almost unique position in having no standard machinery of long term agricultural credit based on farm mortgages—with the exception of the restricted machinery provided under Section 1 of the Agricultural Credits Act, 1923. Farmers in the past have obtained mortgages on their farms from solicitors, banks and others, but have always felt some uncertainty as to period such loans will be allowed to run, and there has been no uniform method of redemption, which has proved in many cases to have acted detrimentally upon farming practice.

20. To provide credit for the purchase of farms or the execution of "permanent" improvements, it is proposed to apply the principle of the Mortgage Credit institutions in Germany or of the Federal Land Banks or Joint Stock Land Banks in America.

It is proposed that a Central Land Bank should be established, the object of which would be to make long term mortgage loans through the joint stock banks and their branches, and to raise money for the purpose by the issue of debentures to the public.

21. The bank should be governed by a Board of Directors and should be empowered to lend money up to a prescribed period, secured upon a first mortgage upon agricultural land and buildings. It should be empowered to issue debentures to the public based upon these mortgages, up to a fixed multiple of

its capital and surplus funds, thus creating a recognised means through which capital might be invested in agriculture.

22. Loans would be made through the joint stock banks and their branches who would act as agents for the central land banks.

23. The Central Land Bank should also be empowered to handle the "intermediate" credit business in connection with land improvements, and such operations as silage, drainage, erection of minor buildings, etc.

24. The scheme of the Central Land Bank should have the following advantages :

(a) It would establish for the first time in this country a uniform standard system of long term mortgage credit for agriculture.

(b) It would give new facilities to farmers who wish to purchase their holdings, by providing mortgage credit at a reasonable rate of interest, in a standard and universally applicable form, and free from the risk of unexpected foreclosure.

(c) It would create a standard agricultural investment, thus opening up a new channel through which capital could enter agriculture.

(d) It would be administered through the joint stock banks and would have the benefit of their knowledge and experience; it would be simple and secret.

25. The value of any credit system depends not only on the efficiency of the lenders but also on the efficiency of the borrowers. The farmer is often an inefficient borrower. He frequently does not understand the economic function of credit, and is unable to measure the profitable use of borrowed capital upon the farm. This is a matter of education. It is recommended that the Ministry of Agriculture through the agricultural colleges should undertake educational work on this subject, and in connection with it should seek the co-operation of the banks, and the National Farmers' Union.

**APPENDIX I: SUMMARY OF REPLIES TO QUESTIONNAIRE
REGARDING THE INFLUENCE OF FINANCIAL CONDITIONS UPON
THE MARKETING OF AGRICULTURAL PRODUCE.**

(The numbers refer to the replies received.)

Question 1.—*Is it a common thing for produce to be forced on an unwilling market in such a way as to prevent farmers from securing the best price?*

BEDFORD.

2. "Yes. Undoubtedly small farmers and smallholders do sell their stock to pay their rent, and many times it is done at a sacrifice—our weekly stock sales show this to be the case as just before the time for paying rents, particularly before Michaelmas."

3. Yes.

BERKSHIRE.

4. "Yes. It is a most common thing for grain to be threshed and sold as soon as possible after harvest. There are several reasons for this, the most common is want of money, as many arable farmers to-day spend this money before they get it, and as soon as harvest comes must thresh to pay their debts. Another reason is that in threshing straight from the field, the extra expense of moving the crops twice is avoided. This is at least a saving of 2s. to 3s. per quarter on grain, and there is no waste from rats and mice."

BUCKINGHAMSHIRE.

5. Yes.

CAMBRIDGESHIRE.

6. Yes, in most years, particularly corn. Smallholders usually sell earlier than large farmers with more capital and more stability. Early corn sales do not always meet with a lower market than later sales, as proved this year. As a general rule smallholders have to sell almost immediately after harvest for financial reasons, whatever the state of the market.

7. "Yes, it is a most common thing for produce to be forced on to an unwilling market, and there is an enormous quantity sold even before the crop has come to maturity."

8. "It is the usual practice of smallholders, as also 50 per cent. of highland farmers, to thresh during or on completion of harvest owing to lack of capital."

9. Yes.

10. Yes.

CHESHIRE.

11. No, with the exception of potatoes which are, of course, fairly extensively grown and marketed in their season, all other products are mainly consumed on the farms, the balance or surplus being disposed of as occasion arises, or when the actual surplus is ascertained.

12. No.

14. No.

15. Certain bad managers are always in difficulties and would be whatever assistance was rendered. Majority can always hold on for a better market.

16. Yes, as regards smallholdings, which are generally heavily rented.

CORNWALL.

17. Not common, but there are cases on the eastern and corn growing and cattle feeding farms, especially where occupiers have expended their

capital in purchasing freeholds. In the western dairy and market garden district the farmers have more ready money.

18. Produce mostly consumed on farms. Considerable quantity of grain threshed soon after harvest. Some of this is put on the market as a matter of convenience rather than on account of shortage of money.

19. "Yes, produce is forced on the market at certain periods of the year, causing a slump in prices, and the farmer invariably suffers."

20. No, not usual course, but some smallholders sell directly after harvest for financial reasons, others on account of limited accommodation.

21. There is always a certain class of farmer who rushes everything on to the market, especially at harvest time.

23. "As far as I am aware these conditions do not apply to this immediate district as most of the merchants give various discounts according to the relative periods of payment (*i.e.* monthly, 3 months, 6 months, and 12 months), hence stock is not forced on the market in any unusual quantity. These markets are held monthly and bi-monthly."

24. Conditions not so acute as in other parts of the country. Grain is, however, forced on market to raise money for the purchase of stock.

CUMBERLAND.

25. No.

26. No. Produce consumed on farm.

27. No. Stock farmers, however, who have paid on 3 months' credit system sometimes have to rush their stock back on to the market with disadvantage to themselves.

28. No. Farmers not dependent on selling corn.

29. No, very uncommon.

30. No. Produce consumed on farm.

DERBY.

31. No.

32. No.

33. Yes, to some extent. Some farmers thresh at harvest to avoid expense of thatching and because labour is available and days are longer. The sale of barley depends on commencement of malting.

35. Very little.

DEVON.

36. Corn is threshed from the field to save cost of stacking and thatching.

37. No.

38. Yes, as regards grain.

39. Only when corn is threshed to obtain use of straw. Grain then sold to save wastage in shifting.

40. No.

41. Yes.

42. Arable farmers generally anxious to realise on grain and potatoes early in autumn. During last year corn factors have shown reluctance to trade before Xmas possibly with idea of forcing farmers to sell under value.

43. No.

44. Yes, in poorer districts.

45. "In this district there are a large number of small farmers in farms of 100 acres or less who have not the security to offer for a time on any loans, and undoubtedly in cases such as this, cereals, wool, and stock are forced on the market, and this would happen principally about Michaelmas and Lady Day. In cases where the security is doubtful or the Manager [*i.e.* Bank Manager] has no confidence in his own opinion a guarantor is required and this is very much objected to by farmers and often is the cause of forced sales."

DORSET.

46. Only in the case of smallholders.

47. "I do not think that it is a common practice for produce to be forced on the market by farmers for financial reasons, and in a general way I think they market their produce to suit their own convenience."

DURHAM.

48. Farmers do realise on their corn immediately after harvest to save expense of thatching.

49. "I may say that I know personally a very large number of farmers in my district, and in running them over in my mind I can only think of a very few who might be compelled to sell in a bad market, certainly under 10 per cent."

50. No.

51. Yes, to a certain extent.

ESSEX.

52. "It very often happens that many farmers have produce on the market for sale at the same time, and the large supply does tend to lower prices."

54. Yes.

55. Yes. Financially weak farmers frequently promise to pay "after harvest" and consequently have to sell to worse advantage.

56. No, except in the case of perishable items, e.g., peas.

57. Yes, as regards small farmers.

58. "It is quite a common thing, particularly amongst small farmers, to place on the market produce at the first opportunity possible after harvest to enable them to pay debts accrued and rent."

GLOUCESTER.

59. Yes.

60. No.

61. Yes.

62. Yes, to a certain extent.

63. Yes, because the dominant crop in a district is ready at the same time throughout that district. The shortage of straw for thatching purposes inclines all farmers to thrash and sell at harvest; also in 8 years out of 10 the grain is too moist to store with safety and the farmer sets off in his mind the loss he might sustain by storage against the loss he does sustain by selling. Opinion is held that selling at harvest is in the long run most profitable, owing to the fact that the corn is heaviest on account of moisture content, no depreciation in weight, no loss from vermin.

64. Yes.

65. "Yes, particularly with men who have recently bought their farms and have to pay their interest punctually, and some landlords are now demanding the rents on the 25th March and the 29th September."

66. Practice generally prevalent.

HAMPSHIRE.

67. Yes, without doubt. More particularly with small farmers.

68. Yes, a danger amongst small farmers.

69. Yes.

70. Yes.

71. "Forcing produce on the market does occur at times, but I should not characterise it as a 'common' practice."

72. No.

HEREFORD.

73. Livestock is sometimes forced on the market when there is a general shortage of keep. Corn is often placed on the market owing to farmers threshing directly after harvest.

74. No.

75. No. It is a fact that some farmers sell their corn to merchants before harvest and draw on account but this does not force them to place the corn on the market at an unfavourable time as, naturally, the merchant will wish it delivered when he can deal with it.

76. "As far as I can judge the class most concerned is the produce farmer, who does not go in for much stock. These farmers appear to be in the habit of raising money from corn merchants or hay dealers on their crops before harvested."

77. No.

78. No.

HERTFORD.

79. Yes.

80. Yes.

81. "No. The reason for this reply is that the marketing of cereals is dependent upon many factors, conditions, ability to hire threshing tackle, and weather, and whereas many large farmers own threshing tackle and can select their time, small farmers wait until machines come into their district and thresh in turns. Supply and demand must rule prices, and often the early man that can thresh in the field, considering the labour saved and loss from vermin at times in stacks, is much the better off. No man can foretell the correct moment to thresh."

82. No. When the market is flooded it is usually due to weather conditions rather than to financial pressure.

HUNTINGDON.

83. Many farmers, large and small, thresh directly after harvest and market the corn. Taking an average of years this has proved beneficial.

KENT.

84. Yes.

85. Yes.

86. No.

87. Yes.

88. "Yes, certainly."

89. No.

90. "It is a common thing for produce to be temporarily forced on an unwilling market at certain periods of the year, thus causing a temporary fall in values in comparison with values of foreign produce. It also happens at times that home produce may overload the markets in certain localities only, and thus bring down values therein to a lower level than the prices ranging in other localities, but this is very soon automatically adjusted by the operation of merchants, who quickly see opportunities for drawing more heavily from those lower-priced localities."

91. No.

92. No.

93. Very little.

94. No.

LANCASHIRE.

95. No.

97. There are some farmers who are forced for financial reasons to sell their produce at the earliest opportunity regardless of price.

98. Yes, certain cases have come to our knowledge.

99. No.

102. "Generally speaking, there is a very slight congestion of markets in this district at any time, and this generally takes place in connection with the early potato crop, or in connection with other crops of a perishable nature, or where the land has to be cleared for a subsequent crop."

104. No.

105. "The only crop in this district which has a tendency to glut the market is potatoes, immediately before and after harvest when large quantities are sold direct from the ground to save the cost and risk of holding and to provide money for wages. It is not customary for farmers to borrow from the banks, but they frequently sell stacks of hay to dealers to enable them to pay their rent and pressing accounts about August and September."

106. No.

LINCOLNSHIRE.

110. Yes, in the small area under consideration.

111. No.

114. Yes, owing to lack of money, and owing to threshing directly after harvest when the corn is not fit. This bad condition brings prices down.

115. "There is no doubt farmers are forced on to the market for financial reasons."

116. Small farmers have to thresh immediately after harvest. This causes a glut which keeps prices down.

119. Only to a limited extent. The causes of hasty selling: (a) wet corn which has to be threshed at once and kiln dried or lie in stack at considerable risk from heating or moulding; (b) fear of a falling market; (c) shortage of straw for thatching; (d) difficulty of obtaining threshing tackle later.

120. No, but many small farmers miss a good market because they cannot get threshing machine when required. Larger farmers miss a good market because they hold out for a better one.

121. Yes, but not to any large extent.

MIDDLESEX.

124. "There is no question, it is fairly common for farmers to be forced in the autumn, in particular, to dispose of their produce for financial reasons."

NORFOLK.

125. Yes, to save expense of stacking and thatching and to provide ready money. Corn merchants know this is wanted and there is generally a drop in prices.

126. "It is often the case that farm produce is forced on an unwilling market, sometimes because the farmers are in need of money and sometimes it happens that following a good previous trade they bring their goods to market in numbers more than sufficient for requirements, but of course this latter is only temporary and is more a matter of chance or mismanagement."

127. No.

128. "On a falling market farmers generally force their produce on the market, consequently forcing prices lower."

129. Yes.

130. "In October/November it possibly may be that many farmers, not having sufficient money at the Bank to buy their cattle for winter grazing, thresh rather more corn than they otherwise would do at that period of the year."

131. "Produce is not forced on an unwilling market, but a willing market is invariably overloaded."

132. "I do not think it is a common thing for farmers' produce to be forced on to an unwilling market in such a way as to prevent farmers from securing the best price. Farmers' produce is affected by world price and the question of holding produce in the hope of a better price than that obtaining when the farmer wishes to sell is a speculative matter and is as likely to go against him as in his favour. The ordinary farmer has hardly sufficient business capacity to forecast the trend of markets."

133. "Produce is forced on the market directly after harvest and, as a result, there is generally a reduction in price. At that time of the year, there is a good demand for English corn, and, as a rule, it is the most favourable time for selling."

134. "Applying to the smaller farmers and excluding the few of this class having what could really be called sufficient capital, it is a common thing for produce to be forced on the market in such a way as to prevent the sellers from securing the best price."

135. No. Grain is rushed on to the market after harvest because even if sold at a trifle less the grain weighs more owing to moisture. The market price usually rules the time of sale for livestock, but when stocks are fat or roots are finished they have to be sold and as roots are generally finished about the same time, it would look as though forced sales were taking place.

NORTHANTS.

137. Yes.

138. Yes.

139. Yes, undoubtedly.

140. No. No doubt wheat and oats are sold immediately after harvest to pay rent, but most farmers are generally in a better financial position at the commencement of the winter season than in the spring when their grass land has to be restocked.

141. No. Percentage of farmers doing so is very small.

142. "It is the usual custom to force wheat directly after harvest on to a reluctant market which is unable to absorb the quantity of often bad-conditioned corn. The reverse is the case with barleys: the early thrashed samples meet the best trade."

143. No.

144. No. Very exceptional.

NORTHUMBERLAND.

145. To a very small extent in the case of cattle only in November.

146. No. On the contrary, there is a very considerable disinclination on the part of the farmer to realise stock. He is much more likely to miss his market by waiting too long.

147. There is a slight loss on corn sold immediately after the harvest, but barley meets better trade then than later in the season.

148. No.

149. "It is fairly common for farmers to market their produce all about harvest time, thus causing an undue fall in price."

150. No.

151. No.

152. Produce consumed on holdings.

NOTTINGHAM.

153. Yes.

154. There is generally a large quantity of corn marketed after harvest, but because the farmers require the straw as much as the money.

155. Yes.

156. No.

157. No.

158. No.

OXFORD.

159. "Owing to the various kinds of produce, including live stock, which such men have for disposal, my opinion is that there is not such a glut of any particular commodity as to seriously affect the market price. It must not be overlooked that produce does not necessarily increase in price by holding, in fact frequently the earlier threshings make more money."

160. Yes, particularly the small farmer and man of small capital.

161. Yes, in the case of small farmers.

162. No.

163. Yes, in the case of small farmers and smallholders.

RUTLAND.

164. "I think immediately after harvest corn is sometimes forced into the market, which then becomes congested and prices decrease. It is, however, not always that the man who does hold his corn for a better market wins. I think too that sometimes a grazier sells his lambs earlier than he would do if he had the money to get his harvest without selling them."

SALOP.

165. Yes.

166. "It is a very common custom for farmers in the early autumn to thresh out far more than the market can take, with the result that prices fall quickly, and the buyers are in a favourable position, so far as prices are concerned."

167. "There is no evidence of produce being forced on the market in this district to the detriment of the seller."

168. No.

169. "Yes, it is a common thing for produce to be forced on the markets, and, as a rule, the merchants get the advantage; but, last back end, farmers who I might quote as being forced to sell made more money of their grain, which was chiefly barley and oats, than the farmer that has held on till now."

170. Yes, a certain amount, but not much.

SOMERSET.

171. No. Last year early offers obtained better prices.

172. In some seasons cereals are forced on the market too fast.

173. "It is undoubtedly a common thing for produce to be sold when it would be to the advantage of the seller to be able to hold for a better price."

174. Yes. When wages increase this becomes more general.

STAFFORDSHIRE.

175. In some districts.

176. Yes, fairly common practice.

177. No.

178. No.

SUFFOLK.

179. No, last harvest good barley and corn did not come out fast enough.

180. "Yes; owing, as a rule, to the shortage of money."

181. Yes.

182. Yes, but this leads to less actual monetary loss than might appear.

183. No, except in very few cases, chiefly small holders.

184. Yes.

SURREY.

185. Only in the case of pigs belonging to small men.

186. "It is true that in order to raise money some farmers force produce on an unwilling market and thus fail to secure the best prices. Of course, the outstanding cause is shortage of money. The class of farmer mostly responsible for this is the man farming from 100 to 250 acres."

187. To a large extent.

SUSSEX.

188. Yes.

189. No.

190. Frequently.
 191. Not common.
 192. Yes, in many cases.
 193. The practice has become more prevalent in the last year or two owing to farmers being unable to hold produce with the prospect of higher prices.
 194. "I have not the slightest hesitation in saying that produce is habitually forced on an unwilling market and prevents farmers, not only from securing the best prices, but from securing even a reasonable price in these times of agricultural depression."
 195. Yes, in the case of hay, wheat and winter oats. The action of the ready seller prejudices the position of the larger and better-financed farmer in the case of hay. The same result occurs with corn. It is the needy early seller who fixes the price in the first month of the cereal year.
 196. No.

WARWICK.

197. Yes, at certain seasons.
 198. No.
 199. Little produce is forced on an unwilling market except in the cases of abnormal supply, as with potatoes in the spring of 1923.
 200. Yes.
 201. Yes. Produce is often forced on an unwilling market.
 202. Yes.

WESTMORLAND.

203. A certain amount of produce (principally oats and potatoes) is forced on the market at harvest time.

WILTSHIRE.

204. Yes.
 205. Yes.
 206. Hasty selling is not common, but crops are sometimes forced on the market when badly harvested.
 207. Yes.
 208. "There is no doubt that, in a large number of cases, farmers thresh out corn in order to obtain funds for payment or rent, &c. In some cases this corn would be better in the rick until the spring. Live stock is often parted with when it would be better on the holding, and this is sometimes impossible in consideration of fodder having been sold for the above reason."
 209. It is not common.

WORCESTER.

210. No.
 211. To some extent. Chiefly for financial reasons.
 212. No.
 214. "It is a common practice for produce and stock to be forced on markets almost every year."
 215. "There is little doubt it is a common thing for a great portion of the produce from farms and smallholdings to be marketed so as to produce ready money, and this is done at the ruling price of the day, which is not the best price for the produce if it could be held longer."
 216. Yes, quite common.

YORKS, NORTH RIDING.

217. Yes, at certain seasons.
 218. Yes, over-production of any particular crop is a very frequent cause.
 219. "On discussing the question with merchants on the Leeds Exchange, they are all of the opinion that the big fall in prices which occurs each October is due to the tightness of money amongst farmers,

who must realise even at a sacrifice. They are also of the opinion that if farmers could obtain greater credit they would unload produce more evenly and so the market would be more stabilised and better prices obtained all round. The same thing appears to apply amongst potatoes, but these are only grown in small quantities here."

220. Farmers who sell their corn early very often make the highest prices.

221. Yes, in very many cases.

222. Farmers this season made the best prices when they sold their crops early. As a rule farmers are unwilling to sell on a rising market but tumble over one another in selling on a falling market thus making the fall worse.

223. No, it may occur some years after a good harvest.

224. Yes.

YORKSHIRE.

225. Not common.

YORKS, EAST RIDING.

226. "In my opinion at certain seasons of the year corn, to a certain extent, is forced on an unwilling market or in too large quantities, which causes a glut or slump, consequently advantage is taken of the same and prices are unduly forced down."

227. "At certain times of the year there are perhaps larger supplies on the market than the demand can take."

228. Yes.

230. This sometimes happens in a wet season.

232. Yes, at certain seasons.

YORKS, WEST RIDING.

233. No, with the possible exception of wool which is sometimes sold early to meet the winter provender accounts and spring rents.

234. Yes.

235. Yes.

236. No.

238. Yes.

239. No.

241. Livestock is sometimes forced on the market at the large Autumn stock sales through lack of feed.

242. There is sometimes hasty selling in the Autumn through the fact that stock have to be sold because they cannot be wintered.

243. "In our opinion this is often the case. We consider there are a number of farmers, who are obliged to realise their crops or stock to meet the Michaelmas Rents, but it is difficult to say to what extent this happens, still in many cases long credit is given by both landlords and merchants."

244. No.

245. Yes. "Farm produce is continually forced on the market before it is conditioned in the stack."

246. Hasty selling is seldom resorted to except just after harvest—wheat and barley.

247. Yes.

248. No.

ANGLESEY.

249. No.

250. Yes, it is very common.

BRECON.

251. Forced sales are very rare.

252. The produce is mostly consumed on farms in this district.

253. Very seldom.

CARDIGAN.

254. Not common.
 255. Not common.
 256. No.
 257. No.
 258. It is not common. Produce such as milk, butter and eggs frequently does not obtain the best price owing to high rail rates and irregular delivery. Wool and sheep are sometimes forced on the market.

CARMARTHEN.

259. No.

CARNARVON.

261. Not common. Frequently the first sellers obtain best price. Last year two-thirds of the wool crop was sold soon after shearing for a good price and those that held on longer obtained poor prices.
 262. No.
 263. No.
 264. No.

DENBIGH.

265. Yes. Poor prices for livestock are very often the result of rings at the auction marts. Also many farmers are tied to livestock dealers who are then able to purchase the stock at their own prices.
 266. There is a certain amount of hasty selling.
 267. "I do not think this practice is common, but it certainly does occur in the case of farmers who take too large a farm for the capital they possess to work it with, and Welshmen are prone to act in this manner."

FLINTSHIRE.

268. "In my opinion, at certain times of the year, principally March and September, there is a tendency for a certain proportion of farmers to make forced sales of their produce in order to help meet their rents, which become due at those periods, and there is no doubt that in many cases they are compelled to take a lower price than they would otherwise have to do if their financial position was better."

GLAMORGAN.

269. Yes, very often.
 270. No.
 271. "Hay—it is not an infrequent thing to see ricks of hay being disposed of before they have been thatched. This is done about the end of July before the August rent is due. A sequel to this is that the same farmers sell their store cattle in the early spring in an immature state, and for comparatively poor prices, for the simple reason that they had sold the hay that was necessary to feed them, and could not afford to buy back a commodity at a greater price than that which they received. It may be interesting to note that there are two systems in vogue in this district that influence considerably the premature sale of commodities. First, it is customary in farm sales to allow three months' credit, with a discount for cash, and it is a well-known fact that farmers who were short of capital purchased stock in these sales, often at inflated prices, and when the time for payment matured, had to sell same, irrespective of price or condition. The other is not so well-known, but is fairly prevalent. Well-to-do dealers frequently sell stock (sheep) to the same type of man on the credit system, the price of course being the dealers, and whenever he chooses to exert a financial pressure, the sheep must be sold to meet the farmer's obligations."
 272. "It is the practice for produce to be forced on an unwilling market by farmers, both by means of offering the same to merchant and direct to consumers. In many cases money is advanced by merchants to

farmers even before the hay is stacked, and also before it is thatched. The merchant leaves the hay on the holding until an opportune moment, particularly having regard to the price. An instance of this was given in the case of [A. v. B.], at the beginning of last month . . . where the hay was bought in October, 1922, and was not yet cut, the merchant gave evidence that he had had hay standing for four years before he took it away."

MERIONETH.

273. No.

274. Very little produce marketed in this Division.

MONMOUTH.

275. Yes, it is not uncommon.

276. Yes.

277. Yes, occasionally by weak farmers through financial reasons, but the greater part of the produce is consumed on the farms.

MONTGOMERY.

278. Yes.

280. Yes.

281. "Produce, such as corn, straw, hay and root crops, are mostly grown in this district for our own consumption, but in some instances more has to be imported to meet the needs. There is no doubt that cattle and sheep are at certain periods sold, when it would have been better for the farmer to hold on if he had the means to do so. Young cattle, for which a great many farmers have good and ample pastures, are disposed of in the spring in order to meet the coming rents and other charges due before Midsummer, when with the necessary credit they could have grazed them on their ample pastures and make a good profit. Again, in the autumn when the late fattened lambs from the hills get precedence in the markets, the price of big mountain wethers is unduly depressed, and farmers in many instances, requiring the money, have no alternative but to sell at a less price than the price of third-rate lambs from the hills."

282. No.

283. Only in the case of wool.

284. Sometimes farmers are compelled to sell their livestock for financial reasons.

PEMBROKE.

285. Hasty selling is sometimes resorted to to raise money.

286. No.

287. Small number of cases.

288. "Yes, since the war it is a very common thing for farmers to be forced to sell to meet demands."

RADNOR.

289. Yes.

Question 2.—*If so, what are the crops or commodities particularly concerned; at what seasons of the year or under what conditions does it chiefly occur, and what classes of producers are chiefly affected?*

From the replies to this question evidence is forthcoming that practically every class of agricultural produce is affected by the causes leading to hasty or disorderly marketing. By far the most common, however, are the cereal crops and potatoes. Next come hay and livestock and perishables, and lastly wool and dairy produce. Cereals tend to be pressed on the market in excessive quantities in the autumn, hay and wool in the summer, and livestock at various times. The producers chiefly affected are small farmers, particularly those who are short of capital.

Question 3.—*To what extent is hasty selling due to financial causes? Are there any other causes?*

BEDFORD.

2. Not to a large extent.
3. General pressure by trade creditors at harvest time is the chief cause. Amongst many farmers there is an impression that the sum realised for corn at harvest time differs very little from that obtained later on account of the loss of weight that takes place and damage done to stacks by rats and mice.

BERKSHIRE.

4. Many farmers have to sell their crops soon after harvest to meet their debts. Another cause is that in thrashing straight from the field the extra expense of moving the crops twice is avoided resulting in a saving of at least 2s. to 3s. per quarter on grain. There is also no waste through the attacks of rats and mice.

BUCKINGHAM.

5. Ninety per cent. Misjudgment of markets. Sale of grain immediately after thrashing saves thatching the ricks. Casual labour is usually plentiful at harvest time.

CAMBRIDGE.

6. Practically every farmer has to recoup financially as soon as his crops are gathered. He also needs the straw for thatching, fodder and litter. In the case of potatoes, the concentration of labour on sugar beet lifting, in order to comply with the grower's contract, necessitates the opening of potato clamps immediately thereafter to riddle out the seed. The ware potatoes are then immediately marketed and not re-clamped.

7. "Caused by financial causes as a rule."
8. "Highland farmers 50 per cent. plus smallholders (no other cause than shortage of money)."
9. "Financial reasons are the principal cause of corn being plumped on the market directly after harvest. At the same time a farmer also often stands in immediate need of straw and chaff for his stock."

CHESHIRE.

12. No hasty selling.
14. Sometimes farmers sell cattle and sheep before they are mature owing to the dearth of feeding stuffs.
15. Almost entirely financial causes.
16. Mainly owing to financial causes, and in some cases shortage of storage space. The Government could assist greatly in advancing money to farmers to enable them to build barns and granaries.

CORNWALL.

17. Hasty selling occurs just before rent days; also in spring when stack yards get low.
18. A quick sale is often resorted to when the crops are not well harvested.
19. Financial causes and lack of storage accommodation.
20. Very few cases.
24. Financial causes the chief ones.

CUMBERLAND.

25. Hasty selling not due to financial causes.
27. "If a farmer has been purchasing heavily through auction marts on the three months' credit system, which all the auctions in Cumberland

are inclined to encourage, and cannot then meet his liabilities when they mature, they then rush their stock on the mart and sometimes dispose of it at a considerable disadvantage to themselves."

29. "In the case of potatoes and oats hasty selling is invariably due to financial causes Another cause is too heavy markets at Christmas and Easter and Whitsuntide, when the supply generally exceeds the demand. This is entirely the fault of the farmers themselves, and although the lesson has been proved again and again, they still persist in rushing large quantities of stock to the fat markets at these seasons."

DERBY.

31. Not due to financial causes.

32. Wheat is sometimes marketed because it was stacked when not dry enough. In the case of hay and straw it would often be possible to pick better markets, but to do this needs a good commercial knowledge.

33. Any hasty selling in this district is due to lack of industry and a knowledge of economics.

DEVON.

36. Large quantities of corn are sold after harvest to save the cost of stacking and thatching.

37. Financial causes.

39. Twelve per cent. to 15 per cent. Principally smallholders.

40. Hasty selling is rare. Usually by incompetent farmers.

41. Forty per cent. Corn is thrashed and sold earlier than used to be the case to save labour and thatching expenses.

42. Damage to grain by rain.

43. Due to financial causes.

44. Mainly due to financial causes. Also to disposal of half fat cattle on grazing farms following a poor grazing season. Straw is required for cattle during winter months and corn is sold because of the lack of storage accommodation.

DORSET.

46. Ninety per cent. financial reasons, 10 per cent. overstocking.

DURHAM.

48. Chiefly due to financial causes. Also inexperience.

49. Always to financial reasons.

50. Financial causes only.

ESSEX.

52. Financial causes and also sometimes corn is in such condition that it cannot be held.

54. Seventy-five per cent.

55. Financial weakness.

56. Produce of a perishable nature is forced on the market.

57. Almost entirely financial causes.

58. Financial causes. Also where the condition of the corn makes a quick sale necessary.

GLOUCESTER.

59. Financial causes. The need for straw and the high costs of carriage may have some influence.

60. After a wet harvest a good deal of wheat is forced on the market.

61. "High rents, rates and wages and, in late years, to meet interest on loans."

62. Financial causes.

63. There is often a large demand for straw for thatching at harvest time and grain thrashed within a few days of harvesting contains too much moisture to be stored in bins. Many farmers think that selling at harvest

is in the long run the most profitable because corn is heavier owing to its large moisture content. The low prices obtained by farmers are often due to the growing out of date of varieties and also bad cultivation, &c.

64. Thirty-five per cent. financial causes. Difficulty of storage. In the case of stock-breeders the lack of suitable fold yards.

65. In many cases corn has to be thrashed before it has been in the rick long enough, and sheep are forced on the market owing to the exhaustion of the supply of roots.

66. Largely due to financial causes. Also bad keeping quality of potatoes, &c. The anticipation of an early drop in price.

HAMPSHIRE.

67. Due to financial reasons among small farmers. Also deterioration of crops harvested under bad conditions. Misjudgment of markets.

69. Ninety per cent. Also high cost of labour. Bad management of farms.

70. "Financial causes are the only reasons. Money has to be found then for rents, seeds and fertilisers."

71. Mainly financial reasons. Crops are sold after harvest to save depreciation by vermin. Some people also consider that the prices are just as good after harvest as any other time and that by realising early they save bank charges on overdrawn accounts.

72. "This would apply more particularly to farmers who have to meet rent, &c., and do not keep much stock or dairy cows, and therefore have to realise about Michaelmas."

73. Farmers do not think it pays to hold crops.

HEREFORD.

74. Mainly financial causes.

75. "In my opinion financial causes are invariably the causes of hasty selling except of course bad judgment."

77. Mostly financial causes.

78. Mainly financial causes.

HERTFORD.

79. Mainly financial causes.

80. Mainly financial causes.

82. Very little due to financial causes. Farmers very often obtain best price immediately after harvest.

HUNTINGDON.

83. "Taking a percentage I should say 75 per cent. is due to financial causes. The other causes are to obtain the necessary straw, secure threshing tackle and so forth."

KENT.

84. Mainly financial causes. Also a fear that prices will not hold.

86. The only hasty selling that occurs is in the case of perishable crops.

87. Due to financial causes.

88. "I think the financial question is at the root of the whole matter. A very large portion of farmers have not sufficient capital to work their farms properly, and what has happened in the past is that directly the corn is harvested it is rushed on the market, very often not in a fit condition (as it ought to be kept in stacks for about six weeks to get hard, &c.), the consequence being that the local markets are glutted, and the price drops. (I have known it to drop 10s. per quarter in a month.) The reason in most cases for selling the corn in this great hurry being that the farmer generally requires capital with which to purchase store sheep and

bullocks for food during the winter months, or in some cases the farmer has not sufficient money to pay his rent and trade bills which are by custom due on October 11th."

89. Not often resorted to.

90. Seldom due to financial causes. Farmers frequently require straw for thatching and feeding purposes. Early marketing saves cost of thatching and the loss entailed by storage. In the case of malting barley, early selling is advantageous to the trade and frequently farmers obtain good prices through not being able to market early enough. Misjudgment of the market.

94. Not due to financial reasons. Usually due to lack of storage accommodation, the need for straw and the need for grain as seed.

LANCASHIRE.

95. In some cases early potatoes are forced on the market but not primarily due to financial causes, but because farmers wish to get the ground cleared for sowing wheat and grass, and also if bad weather prevents haymaking.

97. Produce is not commonly forced on the market in this district but in some cases farmers are compelled to owing to financial reasons.

98. Financial pressure is the chief cause of hasty selling.

100. Hasty selling is not common, but recently the excessive wet weather has caused the hasty marketing of potatoes.

101. Very little hasty selling. Cattle and sheep are sometimes forced on the market through lack of forage.

102. About 10 per cent. of farmers resort to hasty selling through financial reasons. The perishable nature of produce grown is a further cause.

104. Over-production is the only cause.

105. Potatoes are sold after harvest to save the cost and risk of clamping and to provide money for wages.

LEICESTERSHIRE.

108. In very few instances. Corn is usually threshed after harvest because the straw is wanted for fodder, etc.

109. Sometimes due to financial causes. Cattle are sometimes forced on the market because it pays better than keeping the beasts on the pastures during the winter.

LINCOLNSHIRE.

110. Small farmers who have been compelled to purchase their farms frequently resort to hasty selling through financial reasons.

111. Hasty selling due to misjudgment of market.

112. Hasty selling is due in a few cases to financial causes, but with regard to barley the necessity for straw and the lack of storage accommodation is a more important cause.

113. Hasty marketing immediately after harvest through lack of money is often resorted to chiefly by the smaller farmers. The necessity for early threshing because the bad roads prevent the movement of threshing machines except in the early autumn or early spring is another cause.

114. "I believe it is because they want money to get their potato crops up and to pay the 11th October rent."

115. "I know of no other cause for premature marketing than financial reasons."

116. Chiefly financial reasons.

117. "To reduce excessive overdraft which always follows harvest, most of the farmers in this district thresh very heavily in August, September and October, and put a large quantity on the market quickly, and a large percentage of it is not in condition, and that, in addition to glutting the market, brings the price down more than anything."

118. "I do not think there are other important causes than those which are financial, apart from the need for having straw, but this would not create the present glutting of the markets."

119. Due to financial reasons to a small extent. Other contributory causes are: (a) Necessity for selling wet corn which, if kept, has to be kiln-dried or else it deteriorates; (b) fear of a falling market; (c) shortage of straw; (d) difficulty of obtaining threshing tackle at a given moment if threshing is delayed; (e) lack of storage accommodation; (f) lack of obtaining sufficient sacks for storage; (g) to save expense of thatching stacks.

120. "Many of the smaller farmers who are under-capitalised dispose of their livestock before it is ready for the market in order to meet their rent day or current bills."

121. "All due to financial cause. No other cause to my knowledge."

MIDDLESEX.

124. Entirely due to financial causes.

NORFOLK.

125. "The cause of hasty selling in many cases is the need of ready money to carry on. Also, some farmers in a larger way of business need some fresh straw for thatching purposes which all help to put too much wheat on the market at one time."

126. "I do not think that there are other causes except financial."

127. "Hasty selling does not exist to any great extent. Where it has been done, it is not always for financial reasons. It is sometimes due to the conditions of the corn when threshed, and sometimes to a desire to take advantage of inflated prices."

128. "Greatly due to financial causes."

130. Chiefly due to financial causes.

131. Due to financial causes to a certain extent, also to a desire to take advantage of high prices and, in some cases, from a necessity for litter.

132. Due to financial causes and the condition of produce.

133. Congested markets are mainly due to an influx of foreign supplies. Norfolk farmers also resort to hasty selling to enable them to purchase cattle for winter grazing.

134. "Hasty selling is due, in my opinion, to financial causes only. Excepting the small proportion of substantial men, all farmers are short of money. Enforced buying of farms, accounts for it in some considerable measure; but, apart altogether from this, farmers have been so hard hit financially that, speaking in a general way, their present position is a critical one."

135. Due to financial causes to a small extent. With regard to grain, this is sold directly after harvest because it weighs more owing to its high moisture content. Stock is sometimes sold owing to lack of forage.

NORTHANTS.

137. 50 per cent. due to financial causes; 50 per cent. due to lack of storage accommodation.

138. Entirely due to financial causes.

139. "Want of cash compels the farmer to thresh these products [wheat, barley and oats], perhaps 25 per cent. of what he grows."

140. "Very little hasty selling, but almost entirely due to financial causes."

141. Chiefly due to financial causes; also due to the loss of weight and deterioration of crops.

144. "To a very small extent, as farmers who 'play the game' can always obtain a temporary overdraft at the bank, and also get a fair amount in advance from corn dealers of good standing."

NORTHUMBERLAND.

145. Partly due to financial causes and to the lack of forage and storage accommodation.
146. Not due to financial causes. Farmers in this district are inclined to hold on to their crops too long.
147. Farmers sell through fear of dropping prices rather than through shortage of money.
148. Not due to financial causes but through farmers' misjudgment of markets.
149. Financial causes and lack of storage accommodation.
150. Financial causes and lack of storage accommodation.
151. A few cases are due to financial causes.
152. There is a very small amount of hasty selling, and what there is is due to the prevalence of disease and to the poor seasons.

NOTTINGHAM.

153. Hasty selling due to lack of storage accommodation.
154. Forced sales are due to lack of straw and also to financial causes. Livestock is frequently forced on the market just before rent days, but this state of affairs has decreased in recent years.
155. Chiefly due to financial causes.
156. Not due to financial causes but to the fact that farmers think they will obtain better prices if they sell their corn before others get theirs harvested. They also save labour (*i.e.*, thatching and stacking) and the wheat weighs more if sold at once.
157. Due to financial causes to a small extent. Producers are anxious to sell before world prices affect the market.
158. Not to a great extent.

OXFORD.

159. Partly due to financial causes and also to the need for fodder.
160. "The main cause of hasty selling is to find the cash to pay demands for rent and rates, &c., brought about by lack of capital, and at the present time by heavy charges for labour and feeding stuffs, &c. . . . In this county, at all events, I am pretty sure that in the early autumn many of the smaller farmers who are pressed for money sell their hay or seeds ricks. Dealers are fully alive to this fact and, when approached as to buying, they visit the farms and offer a price generally below the real market value."
161. "Hasty selling in some cases is due to want of ready money to pay for harvesting and for rent due."
162. "I do not think hasty selling is due to financial causes. In many instances the small farmers and smallholders who are short of capital sometimes find it necessary to realise their crops as soon as possible."
163. Mainly due to financial causes.

RUTLAND.

164. "Besides the financial cause, which is the principal one why farmers sell hastily, there is, of course, the element of speculation."

SALOP.

165. "To a very great extent, hasty selling is due to financial causes. Rent days, rates and taxes, summer corn bills, often being the cause, although in the case of large farmers—who are probably not so troubled in regard to finance—their work must keep going on and threshing operations must be carried out for many reasons; and few farmers like storing grain after being threshed."
166. "Shortage of cash does, no doubt, influence a considerable number of farmers, but farmers in remote districts, who have trouble in

getting a threshing box when they want it, are somewhat inclined to have several days threshing and so save trouble, and this no doubt does occur in some cases."

167. No hasty selling in this district.
 168. Hasty selling due to lack of storage accommodation and forage.
 169. Chiefly due to financial causes, and also to the shortage of feeding stuffs.
 170. Mainly due to financial causes, also to the shortage of keep and to the fact that markets in some districts have been closed for long periods through foot-and-mouth disease restrictions.

SOMERSET.

171. "Hasty selling is sometimes due to financial causes and sometimes owing to other conditions. For instance, many farmers in the last year have sold stock before they otherwise would have done owing to excessive wet making them short of keep."
 172. Due to financial causes to a small extent, and also to the fact that farmers prefer to sell corn after it has been threshed rather than allow it to sweat in the rick and lose weight.
 173. Due to financial causes and to scarcity of feed.
 174. About 80 or 90 per cent. due to financial causes. Other causes are (a) lack of storage accommodation; (b) depredations of vermin; (c) saving of thatching expense; (d) necessity of threshing early because tackle cannot be obtained in bad weather.

STAFFORDSHIRE.

175. Entirely due to financial causes.
 176. Due to financial reasons to a certain extent. Other causes are: (a) lack of storage accommodation; (b) depredation of vermin; (c) the saving of cost of pitting and clamping potatoes.
 177. Sixty per cent. due to financial reasons. The other cause lack of accommodation.
 178. Sixty per cent. due to financial reasons. Potatoes are sold to save expense of clamping.

SUFFOLK.

179. Chiefly for financial reasons.
 180. "Caused primarily by the shortage of capital, especially where people bought their holdings under the Agricultural Bill and paid a deposit, and still have a big mortgage on them. Also occupiers who started after the war and faced the drought and depreciation of 1921, which, in nine cases out of ten, has left them short of capital and with overdrafts."
 181. "In some cases to find cash to buy in store cattle and pigs for fattening. Second rush usually comes on after winter seed drillings; now there is usually a race to get threshing machines up to middle of December to thresh out barleys, particularly those fit for Burton buyers, and other corn to enable money to be raised to meet rents, interest, mortgage reductions, rates and debts; all classes of farmers help in this glutting of the markets."
 182. Hasty selling due to financial causes: chiefly rent, extra harvest charges, and the need for money to purchase stock feeding. A general cause is the need for straw.
 183. Chiefly shortage of capital.
 184. Mainly financial causes.

SURREY.

185. Chiefly financial causes.
 186. Chiefly financial causes. Also in the case of potatoes the avoidance of risk clamping.
 187. "Probably all of this is due to financial causes. I do not consider there are any other causes."

SUSSEX.

188. "Say fifty-fifty, i.e., half sell to pay rent or manure and feed-stuffs bills. The other half because the straw from these crops is required for thatching and fodder. . . . Those who thresh for the thatching and fodder lack granary accommodation to hold their corn in store."

189. "Where hasty selling takes place it is almost entirely due to financial causes. The only other cause is insufficient or bad storing facilities, and applies in the case of corn, potatoes and wool."

190. "Almost always the results of shortage of cash to pay the rent and other bills. With regard to the larger farmer, in the case of a backward summer, cattle do not come off the marshes as early as usual, and consequently there are a number that have to be cleared in a lump when the marshes will no longer carry stock; and in the case of an early wet winter the result is again the same, a large quantity of stock having to be moved at one time."

191. "There is not the slightest doubt that the pressure to sell in many cases is to obtain ready money to carry on, and I can see no other causes for it."

192. "Chiefly to provide for payment of rent and occasionally a miller's bill."

193. "As regards stock, hasty selling may be caused by shortage of feed, but is often caused through a shortage of money, when by keeping the stock the farm would benefit."

194. "The question of finance induces hasty sales far more than any other factor."

195. "Hasty selling is chiefly due to financial causes. Of course, harvest may follow a period of high prices. There is then a rush by bigger men to secure the price ruling, for fear it may go lower if they do not act at once."

196. "A small percentage is no doubt due to financial causes. On the other hand, labour is sometimes hard to obtain in sufficient quantity and there is a considerable saving in threshing corn from the field before it is stacked and carting it straight to rail. The corn also weighs rather better at that period."

WARWICK.

197. "Hasty selling is due very much to financial causes. A farmer has to meet a payment, rent for instance, on a certain date, and sometimes has to sacrifice several head of stock before ready for sale, whereas by waiting a month would probably meet with a more generous market."

199. "Some hasty selling by smallholders is due to financial reasons, but the larger farmers conserve their stocks much longer, and do not force their corn upon the markets in the early autumn as they did in the years of acute agricultural depression, 1880-1890."

200. "Principally shortage of money and no stability in market prices."

201. Financial causes, but potatoes lifted to save labour.

202. "I have noticed that our market is flooded with fat cattle, &c., about the end of September, when the farmer's rent falls due; consequently, owing to the supply being in excess of the demand, there is a serious drop in the prices, and the farmers are losers thereby. Also, from October to the end of November, there is usually a considerable amount of wheat rushed into the market, greatly in excess of the demand, with the natural result that prices rule considerably easier. This, again, goes to prove that the farmers are short of capital and must realise."

WESTMORLAND.

203. "Rent and trade bills are payable about harvest time, and these are the main reasons for sales."

WILTSHIRE.

204. Yes.
 205. Almost entirely financial causes.
 206. "Undoubtedly, hasty selling is due to the farmer having to find interest on his borrowed money, or his rent."
 207. Due to financial causes and wet season.
 208. "Nearly all hasty selling may be attributed to financial causes. I am unable to understand any other cause."
 209. Financial causes.

WORCESTER.

210. "Lack of or insufficient capital is one and the chief cause. Failure of one or two crops that the farmer had depended on to realise to meet his payments. Forced sales of other unmaturred produce would be an additional loss."
 211. Financial causes, but some farmers actually hold stock too long.
 214. "The extent is a good 50 per cent. due to financial reasons, meeting rent and other payments."
 215. "I do not think there is any other cause than this financial one, and the necessity for being ready for rent day."
 216. "Almost wholly due to financial causes."

YORKS, NORTH RIDING.

217. Thirty per cent. financial among smallholders.
 218. Inadequate storage space in a wet season.
 220. "Some farmers have to sell to meet their rent audit, and others to buy stock for their farms."
 221. "Those who have recently bought their holdings, many of these are now in a position of having tied up their capital and have little or nothing left for working expenses, purchase of stock, &c. This, in my opinion, is the chief factor why grain is rushed on the market as soon as possible after harvest. I audit a large number of farmers' accounts in the North Riding and am therefore fairly cognisant of how matters stand."
 222. "Farmers are certainly getting short of ready money, and find a difficulty in carrying on especially from about May to October as on tillage farms there is very little to sell during that period, and all expenses are now heavy and wages are mostly by week, whereas before the War single men were paid by the year in November. They are getting no help from banks without good security. Dealers and merchants are the only people they can go to, and they are to-day having to mortgage their growing crops in many cases, such as, for instance—a farmer goes to a merchant and says 'I have 20 or 30 acres of barley or wheat. Will you let me have 100% on account, and you take it at market price when I thresh?' A lot of this is done as the only means of getting cash to carry on."
 223. Almost nil.
 224. Financial causes and foreign competition.

YORKSHIRE.

225. "Probably 10 per cent. are due to financial causes, none other as far as I know."

YORKSHIRE, EAST RIDING.

226. Rent, annual wages, seed bills.
 227. Shortage of roots for sheep and keep generally.
 228. Drought, foot-and-mouth disease.
 230. Financial causes.
 232. 70 per cent. financial causes. Shortage of roots and climatic conditions.

YORKSHIRE, WEST RIDING.

234. Insufficient capital.
235. 75 per cent. financial causes. 25 per cent. due to fear of falling market.
236. Very little hasty selling.
238. "Financial causes account for practically all hasty selling. A contributory cause last year was the very high price of barley at one season, and the consequent rush of farmers to try to catch the market. Naturally it had the effect of bringing down prices with a slump."
239. Only isolated cases, usually incompetence or financial necessity.
241. In this district hasty selling is due more to the reasons the stock must be removed to more suitable keep, than to financial reasons.
242. "I have made some confidential enquiries, and the answers I have received confirm my personal opinion that, with the exception of one or two small cases, there are no crops or commodities sold in this district under such circumstances. The few small exceptions are where a tenant farmer may have sold a stack of hay to meet his rent day, when, if he had had sufficient capital, it would probably have paid him better to have consumed it, and the same will at times apply to the sale of certain quantities of cattle in the autumn, when the holding of both hay and cattle through the winter would pay better."
243. "We consider there are a number of farmers who are obliged to realise their crops and stock to meet the Michaelmas rents, but it is difficult to say to what extent this happens. Still, in many cases long credit is given both by landlords and merchants."
244. Due to selling when the crop is out of condition.
245. 75 per cent. financial, also economies in storing.
247. 40 per cent. financial. Lack of storage room.

ANGLESEY.

249. Need of cash to meet current expenses. As a rule first market is the best.
250. Financial causes to meet rent, rates, &c.

BRECON.

251. Hasty selling of wool, due to shortage of storage, livestock to shortage of keep.
252. No losses incurred by hasty selling.
253. Better to sell at once.

CARDIGAN.

254. Lack of fodder.
255. Lack of judgment, ignorance of demand, rushing a falling market.
256. After a wet summer when winter keep is short.
257. Stock sold too early owing to dealers' tempting offers.

DENBIGH.

265. Financial causes, shortage of keep and overstocking.
266. "Generally, my estimate is 15 per cent. of the number of farmers. Other causes are: (a) not enough granary accommodation; (b) and (c) shortness of keep in the spring and autumn, or an abnormally dry or wet summer."
267. Financial causes and sometimes overstocking and drought.

FLINTSHIRE.

268. "In my district there are large numbers of holdings under 50 acres, and farmers of this class have not the reserve finances at their command to meet large payments without selling some of their stock or

produce. These remarks also apply to a certain proportion of the larger farmers, but the smallholder is the one who chiefly suffers."

GLAMORGAN.

- 269. "Hasty selling is generally due to financial causes."
- 270. Due to selling unfinished cattle owing to shortage of fodder.
- 271. "I consider that hasty selling is entirely due to financial causes, and I know of no other."
- 272. Financial causes.

MERIONETH.

- 273. Financial causes, lack of winter keep.
- 274. Financial causes, lack of winter keep.

MONMOUTH.

- 275. Entirely financial.
- 276. Lack of capital, straw wanted, insufficient accommodation.
- 277. Financial causes, shortage of fodder.

MONTGOMERY.

- 278. To meet rents.
- 279. Financial causes rare, but few cases to meet rent.
- 280. Financial causes, shortage of fodder.
- 281. To pay rent. Shortage of fodder due to bad harvest.

PEMBROKE.

- 285. To pay for rent and stock bought at sale.
- 287. Small farmers with insufficient capital. High price of feeding stuffs.
- 288. "Hasty selling is due almost entirely to farmers having bought their farms, and having to pay the mortgagee's interest promptly. In the olden days the landlord would wait for the rent, but the farmer is terrified of the mortgagee."

RADNOR.

- 289. Small percentage financial causes. Lack of fodder; in the case of wool lack of storage.

Question 4.—*It has sometimes been said that some farmers have a strong prejudice against any kind of borrowing if it can be avoided and consequently prefer to sell their produce for cash, rather than borrow money in order to hold it for a better price. How far is this the case and to what degree can it be said to contribute to the temporary congestion of markets at certain seasons?*

BEDFORD.

- 1. Farmers have a strong prejudice to borrowing cash. They frequently borrow implements, &c., from neighbouring farmers.

BERKSHIRE.

- 4. Farmers have a strong objection to borrowing and prefer to sell their produce for cash. This does at times cause congestion of the market but the grain market is governed more by foreign supply than the home supply and therefore the farmer is uncertain whether he would profit by holding on to his grain.

BUCKINGHAMSHIRE.

- 5. Farmers object to borrowing because they have to pay a higher rate of interest to a private seller than the ordinary business man, and the depredations of vermin and effects of weather make it questionable whether

it pays to hold on to crops. The real difficulty is that farmers borrow from hay and corn dealers who require repayment as soon as harvesting operations are completed.

CAMBRIDGE.

7. Farmers would much rather sell their produce than borrow in order to hold it. The markets are frequently glutted in this way.
8. Only about 5 per cent. of farmers prefer to sell rather than borrow.
9. Farmers prefer to sell their produce for cash rather than borrow.

CESHIRE.

12. This rarely happens.
15. There is no prejudice against borrowing.
16. Farmers dislike borrowing owing to the high rate of interest charged.

CORNWALL.

17. There is a prejudice against borrowing from banks, many farmers preferring to take long credits from agricultural merchants. This induces them to sell early in order to pay off the debts incurred.
19. Farmers are reluctant to borrow. This contributes largely to the congestion of markets.
24. The prejudice against borrowing is breaking down. The sheep market is frequently glutted through the shortage of forage.

CUMBERLAND.

25. Farmers strongly object to borrowing and prefer to sell their produce for cash.
26. Farmers strongly object to borrowing, but this does not affect the markets to an appreciable extent.
27. The older farmers are prejudiced against borrowing and prefer to sell at a disadvantage. This is not the case with the later generation.
30. There is some prejudice against borrowing, but it is doubtful whether this contributes to the congestion of the markets.

DERBY.

31. Farmers are generally prejudiced against borrowing and prefer to sell for ready cash rather than hold on to their crops. In many cases this is due to economy rather than shortage of cash, because it saves labour of thatching.
35. Very little borrowing done in this district.

DEVON.

36. Farmers are prejudiced against borrowing.
37. Farmers prefer to lend money amongst themselves rather than borrow it from the banks.
38. A few farmers are prejudiced, but it is doubtful whether this contributes to the congestion of markets.
41. Many farmers object to borrowing.
42. Prejudice against borrowing is not so strong as formerly.
43. There is no great aversion to borrowing.
44. Farmers have a strong objection to borrowing as they do not like their financial position to be known.
45. The old aversion to borrowing money is dying out. The congestion of markets is due entirely to financial causes.

DORSET.

46. There is a prejudice against borrowing, but generally speaking the markets are not congested.

DURHAM.

49. Farmers' prejudice against borrowing does not contribute to the congestion of markets.

50. Farmers are somewhat prejudiced against borrowing, but few hesitate to ask for credit rather than sell their produce disadvantageously. The congestion of markets is attributable more to the absence from the local markets of buyers from the large towns.

51. This is so to a certain extent.

ESSEX.

52. This is seldom the case.

54. This is seldom the case.

56. Some farmers have a prejudice against borrowing, but are mostly too keen to allow this to affect their dealings.

58. This is seldom the case.

GLOUCESTER.

60. There is very little objection to borrowing.

61. There is a prejudice against borrowing.

62. Farmers would rather flood the market than borrow.

64. Farmers would rather sacrifice their produce at glutted markets than borrow.

66. As a class, farmers are not sufficiently far-seeing to recognise the value of credit facilities to enable them to hold on for a good market.

HAMPSHIRE.

67. Farmers are prejudiced against borrowing chiefly through fear of getting into deeper water, and consequently have to sell when there is a congested market. This frequently happens at the end of harvest, when corn is sold as soon as thrashed to pay for Michaelmas rent.

69. Modern farmers are only too willing to borrow money if they can get it.

70. 80 per cent. of farmers would sooner sell than borrow. 40 per cent. are tied to agricultural merchants; the other 40 per cent. are ignorant of business methods.

HEREFORD.

74. Some farmers are reluctant to borrow, but the majority have ample capital for their needs.

75. The best farmers would prefer to sell their stock for money rather than borrow.

77. Prejudice against borrowing does not now exist. Farmers do not hold on to their crops too long in this area.

78. It does not pay to hold on to produce. It is best sold at harvest time because expenses of storage, &c., are then avoided.

HERTFORD.

79. There are a few farmers who sacrifice their crops rather than borrow. These cases are now decreasing.

80. Very few would object to borrowing money if they had the opportunity.

HUNTINGDON.

83. This is seldom the case.

KENT.

84. A prejudice against borrowing is sometimes the cause of congestion of market.

88. Some farmers prefer to sell at a low figure than borrow money, but this does not apply to the majority to-day.

89. Farmers are not averse to borrowing.
 90. Many farmers would rather sell for cash than borrow. This is frequently the cause of hasty selling.
 94. There are few farmers that object to taking credit.

LANCASHIRE.

95. Farmers have strong prejudice against borrowing unless it is from an individual, because they are afraid of their financial position becoming known.

98. Farmers are loath to borrow money for fear of their financial position being known.

101. Farmers would rather sell than borrow.

102. Farmers as a rule do not like borrowing. This prejudice might cause about 10 per cent. of the farmers to resort to hasty selling. The other 90 per cent. are in a position to hold their produce without assistance.

104. The best men have a strong prejudice against borrowing.

105. Farmers do not like borrowing from the bank, but they frequently sell their hay to dealers to enable them to pay their rent.

LEICESTER.

109. Good farmers have a prejudice against borrowing, as loans tend to embarrass them.

LINCOLNSHIRE.

111. Farmers do not like borrowing, but this prejudice does not contribute to the congestion of markets.

112. No prejudice against borrowing. Congestion of markets not due to this cause.

113. Many small farmers are nervous about approaching the bank for credit, but this does not have a marked effect upon the markets.

114. Most farmers would sooner sell than borrow. Markets are frequently congested by farmers throwing on the market produce that is immature.

115. Farmers prefer selling for cash and object to borrowing. If farmers were granted credit facilities for restocking their flocks and herds it would be a great boon.

118. No prejudice against borrowing. Farmers suffer from lack of opportunity to obtain loans.

120. Farmers are only too anxious to borrow.

122. Farmers have a strong prejudice against borrowing. Farmers frequently sell their produce on a falling market rather than run the risk of holding for a better price.

NORFOLK.

125. Farmers would rather sell their produce than borrow. Small-holders in this district could obtain better prices for their potatoes if they were able to hold on.

128. There is no prejudice.

129. Many farmers object to borrowing. The result is that they market their produce as soon as harvested.

130. The old prejudice against borrowing is dying out.

131. Farmers have no prejudice against borrowing and majority exist on overdrafts to the limit sanctioned by the bank.

132. Prejudice is limited to the small man who is accustomed to deal only in cash and living from hand to mouth is not familiar with the modern business system of credit.

133. There is no general prejudice against borrowing.

134. No strong prejudice against borrowing.

135. Farmers will always borrow from the bank when necessary and have no prejudice against borrowing.

NORTHANTS.

137. Many farmers would rather sell at a sacrifice than borrow, and no doubt this affects the markets. The onerous terms of the London banks since they got control is the greater cause of reluctance to borrow.

138. Not much prejudice; farmers only too glad to borrow.

139. Farmers are very independent and would sooner sacrifice than they have to sell than borrow.

140. Farmers have no prejudice against borrowing.

144. Undoubtedly a prejudice against borrowing money on corn amongst the best business men.

NORTHUMBERLAND.

145. No prejudice. Farmers usually quite ready to apply to banks for advances or overdrafts and to accept very long credit from seedsmen, cake merchants, etc.

147. Very little prejudice against borrowing.

148. No prejudice in this district.

149. Most farmers certainly have a strong prejudice against borrowing.

150. No prejudice.

151. Farmers as a rule have a strong prejudice against borrowing and will accept market price rather than do so.

152. No prejudice in this district.

NOTTINGHAM.

153. There is some prejudice, particularly amongst smaller farmers and the older men of that class rather than the younger generation, against having what they call a balance on the wrong side. This has no effect on the markets.

156. Only some very old-fashioned farmers have prejudice against borrowing. No one gets credit so easily as farmers, but the facilities are no good to the farmer as the industry is not sufficiently remunerative to meet the interest.

157. No strong prejudice against borrowing.

OXFORDSHIRE.

159. Many farmers no doubt have an objection to borrowing money in a formal way. They prefer to trade on the forbearance of their creditors. The pressure put upon them is not sufficient to cause congestion of markets.

160. Prejudice is due to the ignorance of the procedure to be adopted.

163. Farmers are at present against borrowing money under existing conditions. If favourable terms were forthcoming farmers would be ready to take advantage of any help offered.

RUTLAND.

164. Prejudice is very rare.

SALOP.

165. Yes, there are many farmers who have a strong dislike to borrowing. Probably one-half would rather sell their produce for ready money than go to banks under existing conditions.

166. No prejudice, but unless a farmer has a good reputation he finds it difficult to get accommodation, and this does contribute towards the temporary congestion of the markets.

169. "Yes, there are a few, but not many, who greatly object to borrow or have an overdraft at the bank. I am certain that a large quantity of stock is often put on the market and sold at a lower price because the person selling has exceeded his overdraft."

SOMERSET.

172. Farmers as a class do not care to borrow money if they can help it.

174. Prejudice against borrowing is not very common but the stringency of the banks prevents farmers borrowing.

STAFFORDSHIRE.

175. Some farmers would almost do anything rather than borrow money, but this probably applies only to a few cases.

177. No prejudice exists to-day, if ordinary privacy is observed; it would only add to a very small degree to congestion of markets.

178. In nearly every case farmers do not borrow simply because banks will not accept their security. They do not appear to have any prejudice against borrowing.

SUFFOLK.

179. Only the more ignorant have any prejudice.

180. "I do not think the average farmer has any prejudice."

181. Many farmers have strong prejudice against borrowing.

184. The average small farmer would have no prejudice against borrowing if he had the opportunity.

SURREY.

185. Small man has a prejudice against borrowing or does not know how to go about it.

186. There is amongst farmers a feeling against borrowing, and I think this is a correct attitude, the business of farming being too uncertain to justify a farmer anticipating results either on the crop or the market.

SUSSEX.

188. There is some prejudice against. The farmer has no security and has to give a bill of sale. There should be a better system.

189. The proportion of farmers who have any prejudice is very small.

190. Majority of farmers are not at all backward in asking for money if they want it, but they have a difficulty in giving security.

191. Farmers have a certain amount of prejudice against borrowing if it can be avoided, especially on account of the interest.

193. The farmers are averse to borrowing.

195. Farmers have a strong objection to appear as borrowers and do not reckon borrowing a legitimate feature of business.

WARWICK.

197. Prejudice to a certain extent because of publicity. Contributes to congestion to a small extent.

198. Very few.

201. Strong prejudice against.

202. Prejudice amongst uneducated classes.

WESTMORLAND.

203. North Country farmers would borrow from the banks if they could. As they cannot, help is obtained from the auction mart companies.

WILTSHIRE.

204. No prejudice at the present time.
 205. No strong prejudice. Better credit facilities would be appreciated.
 208. Strong prejudice against borrowing. Farmers have had to raise loans to purchase holdings as a result of the splitting up of a large number of estates.
 209. Reluctance to borrow due to ignorance of how to borrow.

WORCESTER.

210. No prejudice.
 211. Prejudice fast dying out.
 215. Strong prejudice which hampers farmers in marketing and leads to temporary congestion.

YORKSHIRE, NORTH RIDING.

217. Prejudice among a limited number.
 218. No prejudice, except that a well-established farmer would prefer to carry over a small loss rather than go to the bank.
 219. Farmers shrink from taking neighbours into their confidence.
 220. Strong prejudice; prefer to sell.
 221. No great prejudice. Majority are obliged to have overdrafts.
 222. Would sooner go to the dealer, but dealers are getting nervous.
 223. Farmer who borrows goes to the bad.

YORKSHIRE.

225. Farmers prefer to realise because of the uncertainty of prices.

YORKSHIRE, EAST RIDING.

226. Farmers are reluctant to borrow because by so doing they expose their circumstances.
 232. Farmers would rather sell, but this does not cause congestion.

YORKSHIRE, WEST RIDING.

234. To a large degree.
 235. Small farmers, but does not affect markets.
 236. Strong prejudice.
 238. Yes, farmers have a natural prejudice against borrowing. This accounts for so many farmers being in the hands of merchants. They do not regard merchants' advances as loans. Largely responsible for congestion.
 243. Farmers are not borrowing men, and congestion results.
 244. Prejudice does not apply to many.
 245. Prejudice coupled with high rate of interest.
 246. Prejudice in borrowing from the bank, but no prejudice against dealers.
 247. Not so much prejudice as formerly.

ANGLESEY.

250. Farmers are a poorer lot and will sell everything before disclosing their affairs to a neighbouring farmer.

BRECON.

251. Strong prejudice.
 253. No prejudice.

CARDIGAN.

255. Farmers have a strong prejudice owing to their anxiety to hide their financial position. Practical credit scheme desirable.

257. No prejudice. Farmers often advance loans to one another without interest or security.

258. Welsh farmer is very like the Irish farmer. He will not disturb his savings but would rather have a temporary loan from the bank or borrow from his auctioneers.

CARMARTHEN.

259. No prejudice.

CARNARVON.

261. Prejudice diminishing as people become educated.

DENBIGH.

265. Prejudice against; the man usually selected by a bank as a reference is the farmer's neighbour and secrecy is not maintained. Agricultural credit should be a State Department and free from any taint of local prejudice and influence.

266. Prejudice leading to congestion. Farmers prefer to borrow from dealers and this leads to victimisation."

267. No prejudice.

FLINTSHIRE.

268. Farmers prefer not to borrow and forced sales result.

GLAMORGAN.

269. Strong prejudice causing congestion.

271. Prejudice causing farming on the hand to mouth system.

272. Farmers are shy and unwilling to go to banks and lack knowledge of banking facilities. Three months' auctioneers credit prevalent.

MERIONETH.

273. Farmers have a strong feeling against borrowing and buy from large sheep dealers on trust.

274. Strong prejudice due to a diffidence on the part of farmers in letting the bankers know they are in straightened circumstances. Contributes to congestion of livestock sales.

MONMOUTH.

275. Strong prejudice to publicity. Farmers are in the hands of hay merchants.

276. Farmers have no prejudice to borrowing on reasonable terms. Congestion due to lack of capital.

277. Farmers as a class have a great prejudice against borrowing. Older farmers object to the publicity. They would rather sell and realise the sum needed. Correspondent suggests a loan for the purchase of store stock.

MONTGOMERY.

278. Bank rate outrageously high. Farmers prefer disposing of their produce at a low price.

279. Some cases where cattle are sold at a sacrifice rather than approach banks.

281. Strong prejudice. Credit facilities to improve their property would pay farmers in all directions.

283. Farmers are primitive and cautious in money matters, but this feeling hardly leads to congestion.

PEMBROKE.

286. No prejudice.

288. Farmers object to borrowing because they have to pay through the nose. Money at a reasonable rate would put them on their feet.

RADNOR.

289. Prejudice because farmers do not care to discuss their financial position partly responsible for temporary congestion.

APPENDIX II.

(A) EXTRACT OF THE MINISTRY OF AGRICULTURE'S
LEAFLET NO. 311.

Under Section 2 of the Agricultural Credits Act, 1923, facilities are provided which enable farmers, small holders, allotment holders, and other agriculturists to obtain credit to meet such expenses as the purchase of seeds, fertilisers, feeding stuffs, the purchase of breeding and other live stock, of machinery and implements, the erection of silos, barns, fencing, etc., the purchase of fruit trees, etc.

Outline of the Scheme.

The method provided by the Act involves the establishment of Agricultural Credit Societies which are financed partly by the paid-up capital on shares taken by members and partly by money advanced by the State.

The total sum advanced by the Government to any society is limited to an amount equal to one pound for every pound share held by members of the society on which a sum of 5s. has been paid. For example, a society whose members had subscribed for 2,000 one pound shares would be eligible for advances from the Government up to £2,000, and as the paid-up capital on the 2,000 shares would be £500 there would be a total sum of £2,500 available for loans to members.

The advances made to members of a society are limited by the Act so that an advance to any member shall not exceed one-tenth part of the share capital of the society, or more than an amount equal to £5 for every one pound share held by the member on which a sum of 5s. has been paid. Thus, in the example given above of a society with 2,000 shares, the amount of the loan to any one member could not exceed £200, while in order to be eligible to borrow £200 the member in question would have to hold as a minimum qualification 40 shares on which 5s. had been paid, that is to say, he would have to contribute £10 to the funds of the society.

Formation of an Agricultural Credit Society.

Where a credit society is being promoted by a co-operative trading society or any other organised body, the first steps would presumably be taken by the Executive Committee, who would consider what number of shares they could take up on behalf of their society or organisation, and would also ascertain to what extent shares would be taken up by other persons, whether potential borrowers or not.

In other cases, where a credit society is being formed without the assistance of any organised body, the first step to be taken is for the promoters of the society to obtain from local agriculturists or others a sufficient number of promises to take up shares in the society to justify them in taking further action. Although these societies are intended solely for the assistance of persons engaged in agriculture, membership is open to persons sufficiently interested in promoting the prosperity of local agriculture to be willing to lend their capital and credit for that purpose.

Model rules have been prepared for adoption by credit societies and are obtainable from H.M. Stationery Office, Adastral House, Kingsway, W.C.2 (price 6d. net). These rules set out in detail the constitution of such a society, its method of operation, and the manner in which it must be conducted in order to conform with the provisions of the Agricultural Credits Act, 1923, and the Industrial and Provident Societies Acts, 1893 to 1913, under which Acts an agricultural credit society must be registered.

When the decision to form a society has been reached the promoters must take steps to register the society, and should apply to the Chief Registrar of Friendly Societies, 17, North Audley Street, W.1, for the necessary forms of application for registration. These application forms must be filled up in accordance with the instructions which accompany them, and returned to the Chief Registrar together with the prescribed registration fee. The Industrial and Provident Societies Act of 1893 provides that no society can be registered which does not consist of seven members at least, and for the purpose of registry the application form must be signed by seven members and the secretary. These seven members are referred to in the model rules as "the original members." The rules of the society have to be approved on behalf of the Minister of Agriculture.

The receipt by the promoters of an "acknowledgment of registry" from the Chief Registrar marks the coming into being of the society, and enables it to exercise its functions. As soon as the society has thus been constituted, its next step will be to proceed with the allotment of shares in accordance with the rules. On allotment the 5s. per share must be paid up by the members and at this point the society should open a banking account with a joint stock bank, and a general meeting of members should at once be summoned to elect a committee and officers in accordance with the rules.

The extent of the Government advance and the extent to which loans can be made to members have been explained in the introductory part of this memorandum and further details are given in the rules.

The Making of Loans and Applications for Advances.

Both the making of loans to members and the application for advances from the Ministry will necessarily involve careful consideration by the committee of the society. The total funds within the control of the society at the beginning of its existence are—the entrance fees of 2s. 6d. per member, and the paid-up share capital of 5s. per share. Its prospective capital consists of the money to be advanced by the Ministry of Agriculture, which is limited to the sum equal to the full value of the society's share capital, but on this advance the society must *pay interest*. It will be seen, therefore, that an application for an advance from the Ministry should only be made when the money is required for the immediate purpose of making loans to the society's members, otherwise the society will hold funds which are lying idle, but upon which it has to pay interest. Before any such application to the Ministry is made, the society should consider applications for loans from its members, and should reach a provisional decision as to the gross amount of the loans which it is prepared to make.

Certain particulars will be required by the Ministry in respect of each application for an advance, and in the case of a new society the Ministry will need to make certain enquiries before making the first advance. Societies should not, therefore, lead their members to expect that funds will be available immediately after the application.

As pointed out above, a credit society cannot afford to hold any substantial sum which has been advanced to it unless it is immediately required for making loans to members. When, therefore, a loan or part of a loan to a member is repaid and any money advanced by the Ministry is not immediately required for the purpose of making further loans, it will be advisable for the society to refund this money to the Ministry and so avoid further interest charges upon it.

Interest on the Advance made by the Ministry.

Since the passing of the Act in the summer of 1923 the rate of interest charged by the Government on advances to credit societies has been at the rate of 5 per cent. per annum, but the Government has now decided to reduce this rate to the *current bank rate, with a minimum of 4 per cent. per annum*. As the bank rate is now 4 per cent. advances to societies

will for the present bear interest at that rate, which will place them in a much more favourable position than hitherto.

The bank rate is, however, liable to change from time to time, and the society, in making loans to its members, must be careful to make it clear to them that in the event of the bank rate being advanced above 4 per cent. the rate of interest charged by the society on loans made to its members will be correspondingly advanced.

The loans made by societies to its members should therefore normally be made not at any fixed rate but at "one per cent. above bank rate." This will allow an alteration in the rate of interest in the event of a change in the bank rate. Thus, while the society is borrowing money from the Ministry at current bank rate it will be lending to its members at 1 per cent. above bank rate. This difference of 1 per cent. is intended partly to provide for the payment of the expenses of the society and partly to enable it to build up a reserve fund.

Expenses of the Society.

In the majority of cases this charge of 1 per cent. will be insufficient and it is advisable that the credit society should charge a small fee to borrowers to cover office expenses such as stationery, books, stamps, &c., and any other charges that may be necessary for lighting, office accommodation and remuneration of the secretary.

Reserve Fund.

The Ministry attach the highest importance to the formation of an adequate reserve fund as a safeguard against bad debts, &c. In the absence of a reserve fund bad debts might have to be met by making a call on the unpaid share capital, and to protect members of the society from this contingency a reserve account is obviously necessary.

In their early stages, credit societies should aim at putting to the reserve account each year as large a sum as possible, and, in determining the amount to be charged by way of fees on loans in accordance with the preceding paragraph, the committee of a society should pay very careful attention to the question of providing a sufficient balance to be carried to the reserve account. After the first year the Ministry will not normally be prepared to make further advances to a society unless a suitable sum is being placed in reserve.

Repayment of Loans by Borrowers.

The conditions as to repayment of loans must be decided by the committee of the society subject to the provisions contained in the rules. The conditions may, and should, be varied to suit particular cases, but it is advisable to provide for repayments being made by instalments and not in a lump sum. The committee should insist on such instalments being promptly and punctually paid at the dates agreed.

Purposes for which Loans may be made.

The purposes for which loans may be made are indicated generally in paragraph 1 of this memorandum and a detailed list of such purposes can be obtained on application. The Ministry is, however, prepared in special cases to consider the desirability of approving other purposes not included in this list.

(B) NOTE ON THE AGRICULTURAL CREDITS ACT, 1923.

Experience of the last two years shows that certain minor difficulties have restricted the usefulness of the Act. These may be summarised as follows:—

1. The proportion of 5s. per share paid up is high and might act as a deterrent to membership.

2. The statutory restriction of the amount which a member may borrow from his society to one-tenth of the total issued share capital in some cases may be an obstacle.

3. The scheme as at present constituted is not easily adaptable to the needs of co-operative marketing societies.

In regard to the first point the Act provides that a loan made by a society to a member shall be limited to 5*l.* for every 1*l.* share held by the member upon which 5*s.* has been paid up. This has often been taken to mean that in ordinary practice a member will be able to "put down 5*s.* and borrow 5*l.*" But it is obvious that a society may not have sufficient funds to lend to this amount. If all members wish to borrow at once it is certain that it cannot have the funds. The total loanable funds which a society has at its disposal are derived from the 5*s.* paid up on each share and the 1*l.* borrowed from the State. Moreover, the whole of the 5*s.* may not be available, as part may be absorbed in the early stages of a society in administrative expenses. At all events, as the 5*s.* is found by the borrower, the nett amount he can borrow from the society—if all members want to borrow at once—is 1*l.* for each share he holds upon which he has paid up 5*s.* In other words, a person who wishes to join a society for the purpose of borrowing 100*l.* would, under these conditions, have to "put down" 25*l.* It is more than likely that this would prove a very hard condition to fulfil. In this connection, it is interesting to note that Raiffeisen strongly believed in low or even nominal share values for the Raiffeisen societies, for the reason that many of the small cultivators who joined for the purpose of borrowing would have been unable to find anything but a very small amount of money. On the other hand, in the English societies a certain amount of money is required to meet initial expenses, and one or two societies have succeeded in attracting a considerable membership notwithstanding this condition. It seems desirable therefore to allow some elasticity in the matter, and it is accordingly suggested that the amount paid up should be not less than 1*s.* and not more than 5*s.*, subject to the approval of the Ministry of Agriculture and Fisheries.

The second point raises difficulties mainly in the case of a trading society which might be a member of a credit society. A trading society (which the rules of a credit society expressly admit to membership) consisting mainly of the same members as the credit society, might wish to borrow for a purpose in which the members had a common interest. But it is easy to see that circumstances may arise when the restriction of the amount of the loan to one-tenth of the share capital might be an insuperable obstacle. For example, a group of poultry farmers might desire to form an egg-preserving and marketing society and a credit society to finance it. It would be quite possible for the same persons to constitute both societies without any desire to use the funds of the credit society for any other purpose. Such a scheme, by reason of this restriction might easily be unworkable. This difficulty might be overcome by an amendment of the Act removing the restriction.

Apart, however, from this specific restriction, the Act is open to the criticism that it is insufficiently elastic to meet in a convenient way the needs of agriculturists in a locality who wish to borrow money for a common purpose. Although the Act expressly contemplates a credit society having other objects than the making of advances to members, it is not adapted to using money borrowed under section 2 of the Act for a common purpose. To do so would require a further amendment. If such an amendment were introduced it would be important that the State should retain a general control, but apart from that, the wider the elasticity, the greater the usefulness of the scheme.

.....
.....
together with all increase and the increase from the increase of said livestock, which is all of the kind now owned by me, whether in excess of the number or not. Also my undivided..... interest in and to any and all crops of every kind, including grass and hay, which have been, or may hereafter be sown, grown, planted, cultivated or harvested during the year A.D. 19..... on the following described real estate, situated, lying and being in.....County, State of South Dakota, to wit :.....
.....

.....
together with all hail insurance placed on, carried, or received in case of loss, total or partial, on grain herein mortgaged.

Provided, that if the undersigned shall pay the said debt according to said note or notes and all other notes or obligations which may be taken in lieu of those or any of those above described, or in renewal thereof, to secure the payment of said sums of money or any part thereof then these presents to be void; otherwise in full force. And I, the said Mortgagor, do hereby covenant and agree to and with the said Mortgagee, successors or assigns, that in case of default made in the payment of said debt, or any part thereof, or the interest thereon or any note or notes taken in lieu of or for renewal thereof or if any attempt be made to dispose of or remove said property, or any part thereof, or if said property or any part thereof shall not be properly cared for or become deteriorated or damaged or if at any time the said Mortgagee, successors or assigns, should deem such property or said debt insecure, then and in any or either of the aforesaid cases it shall be lawful for the said Mortgagee, successors or assigns, and they are hereby authorized and empowered, by themselves or agent, to take immediate possession of said goods and chattels wherever found, the possession of these presents or a copy hereof being their sufficient authority therefore, and to sell the same at public sale, and out of the proceeds retain the amount of said debt then unpaid, with all reasonable costs pertaining to the taking, keeping, advertising and selling of said property, including statutory attorney fees. If from any cause said property shall fail to satisfy said debt, interest and cost, the Mortgagor agrees to pay the deficiency without demand therefor. And it is further provided that the Mortgagee, attorneys or agents, may purchase the property hereby mortgaged at such sale.

In case of foreclosure of this mortgage, sale shall be held at said premises or any other place that may be designated by said mortgagee.

I hereby acknowledge that at the time of the making and delivery of this mortgage the Mortgagee delivered to me a full, true, perfect and complete copy of this Mortgage, without additional cost to me, and that I received said copy of Mortgage.

Witness my hand and seal, this.....day of.....19.....
Signed and delivered in presence of
.....(SEAL)
.....(SEAL)

THERE MUST BE TWO WITNESSES.

This Report has been prepared by the Markets and Co-operation Branch of the Ministry in continuation of the first Report of this series dealing with the Co-operative Marketing of Agricultural Produce. The two Reports taken together provide a general review of the position of agricultural co-operation in England and Wales and represent the most exhaustive account which has yet been published of the extent to which farmers have combined for organised sale and purchase in this country.

THE CO-OPERATIVE PURCHASE OF AGRICULTURAL REQUISITES.

A Survey of the Present Position in England and Wales.

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Note.—In this Table of Contents and in the succeeding Chapters of this Report, the word "Ltd." has been omitted when reference is made to the names of societies.

INTRODUCTION.

The economic basis of the association of farmers for the purchase of feeding stuffs, fertilisers, seeds and other agricultural requirements is the reduction of the margin between the prime and ultimate costs of the raw materials of production. This is effected by bulking orders and obtaining the price concessions from manufacturers, brokers, importers and wholesale merchants, the reductions in transport charges and the control over quality, which are normally secured by large-scale dealing.

In this country, such association of farmers has usually proceeded on co-operative lines, that is to say, the organisations concerned have adopted, to a greater or less extent, the recognised co-operative principles. These and their implications have already been described in the recently issued Report on Co-operative Marketing in England and Wales (Economic Series No. 1), and it is unnecessary to repeat them here, subject to the qualification that whereas, in the case of marketing associations co-operation should, in practice, mean that the producers concerned admit an obligation to supply the whole or a minimum quantity of their produce to their associations, members of co-operative purchase organisations should, conversely, recognise an implied obligation to support their association with their trade.

Co-operation applied to the purchase of agricultural requirements has made greater progress in this country than co-operative marketing, and was an earlier development, but the progress achieved is substantially less than that recorded in many other countries, including Denmark, where organisation for purchase followed in the wake of and did not precede organisation for sale. As with co-operative marketing, however, there is a lack of reliable and comprehensive information regarding the development, trend and business outlook of the movement in England and Wales. It is the purpose of this Report to attempt to fill the gap by analysing the functions and results of the existing societies as a whole, by describing, in detail, the methods adopted by a number of individual societies which may be regarded as typical in one or more important respects and by discussing the administration, trading policy, finance and other business aspects of societies generally.

It remains to be observed that as, for convenience, co-operative associations of farmers have usually been incorporated under the Industrial and Provident Societies Acts, this Report deals only with organisations so incorporated, and is not concerned with any organisations registered under the Companies Act that may be engaged in the purchase and distribution of agricultural requirements on a more or less co-operative basis. Nor is the Report concerned, in general, with Smallholding and Allotment Societies, registered as such, many of which undertake the joint purchase of their members' requirements.

CHAPTER I.—DEVELOPMENT.

(i) To 1901.

Towards the end of the last century, such farmers' co-operative supply associations as existed—and in 1893 it was reported that there were about 30 in existence altogether—were mainly joint-stock companies, the tendency to adopt the alternative of registration under the Industrial and Provident Societies Act first becoming marked about the year 1900. Among well-established co-operative joint-stock companies engaged in the supply of agricultural requirements at the beginning of the century may be mentioned the Agricultural and Horticultural Association, London, established in 1867. This was stated to be the pioneer organisation of its kind in this country and lasted nearly 50 years with some 3,000 members, mostly in the Home Counties, and a nominal capital of £250,000. Among others were the Lincolnshire Farmers' Association, established in 1868, the Cheshire, Shropshire and North Wales Farmers' Supply Association, registered as a joint-stock company in 1871, the Northumberland Agricultural Supply Association which dated from 1872, the West Norfolk Farmers Manure Company which was founded in 1872 by a body of East Anglian farmers and the Western Counties Agricultural Co-operative Association which was formed in 1879.

There appear to have been at least eleven societies in existence in 1900, which had for their principal object the supply of farmers' requisites, and were registered under the Industrial and Provident Societies Act. Of these, the Aspatria Agricultural Co-operative Society, registered in 1870, the Brompton Agricultural Co-operative Society, registered in 1872, the Vale of Eden Agricultural Co-operative Society, registered in 1873 and the Furness and South Cumberland Supply Society, registered in 1880, all operating in Cumberland, and the Kendal Farmers' Club and Society in Westmorland, registered in 1874, are an interesting historical and geographical group, as the remaining six societies were all formed much later, one being registered in 1896, one in 1897, two in 1899 and three in 1900.

It was in the 'nineties of the last century, that the general question of co-operation as applied to the purchase of agricultural requisites seems first to have attracted the serious attention of representative agricultural organisations.* In 1891, for example, a committee was appointed by the Central Chamber of Agriculture to consider and report "by what means the organisation of the Chamber could be utilised so as to promote the co-operative principle for the benefit of all its members *in the purchase of farming requisites.*" The committee reported in 1893 that they

* For a general description of the circumstances attending the development of the agricultural co-operative movement as a whole, see "Report on Co-operative Marketing in England and Wales." (Economic Series No. 1.)

had been impressed with the "advantages which may accrue to farmers by the adoption of the principle of co-operation. It is evident that with careful management the risk of failure is small, as is proved by the fact that, so far as the committee have been informed, no agricultural co-operation association formed for the purpose of purchasing farming requisites has failed. The committee, therefore, very strongly urge the consideration of this subject on the members of the Central and Associated Chambers of Agriculture, in the belief that not only might articles of guaranteed quality be procured at prices less than individual purchasers can as a rule be charged, but that by incorporating this object among the primary functions of farmers' associations an incentive to combination will be provided, and a greater union of the agricultural community will be secured."

It is interesting to note that in order to supplement the available information, the committee circulated a questionnaire to all local affiliated Chambers numbering about seventy, but only four seem to have troubled to give consideration to the circular while two sent in decidedly unfavourable reports; this suggests that agricultural co-operation was not regarded as a matter of importance by agriculturists generally. Indeed, at a National Conference on Agricultural Depression which was held in London at that time, although a special resolution was carried which placed co-operation among the remedial measures proposed for consideration, it is recorded that the hall rapidly emptied during the discussion.

The Central Chamber of Agriculture appointed a further committee in 1896 to investigate primarily the possibilities of co-operative marketing. The committee reported in 1898. So far as co-operative purchase is concerned, the report states that the committee "found nothing to disturb the conclusions arrived at by the Committee of 1893 as to the comparatively simple and safe establishment of local associations for the purchase of farming requisites, and cordially endorsed the recommendation that such associations should be increased."

In the previous year, 1897, the Royal Commission on Agriculture issued its final report and expressed the view that there was urgent need for more co-operation among farmers "in the purchase, at reasonable prices, of the best manures, feeding stuffs and plant required in their business."

(ii) 1901 to 1914.

In 1901, the Agricultural Organisation Society was formed, and a steady increase in the number of farmers' co-operative purchase organisations then commenced. Under the guidance of the society most, if not all, of the new ventures were registered under the Industrial and Provident Societies Act which was regarded as the more advantageous method of incorporation for farmers' co-operative undertakings. Ten new societies, having for their primary object the supply of agricultural requirements,

were added to the register in 1901, thirteen in 1902, and sixteen in 1903, and there were no removals.* It is interesting to note the comparatively rapid, if localised, growth of the movement in Wales. In 1901, there appears to have been only one farmers' society in Wales and that a dairy society; but of the thirteen societies formed in 1902, nine were in Wales and seven of these were in the county of Cardigan, while of the sixteen societies formed in 1903, seven were in Wales and four of these in Cardiganshire. It may be noted that the progress in Wales was ascribed to the fact that, at that time, agricultural requirements were being supplied to Welsh farmers, particularly those in remote districts, on terms which compared unfavourably with the terms obtainable in most parts of England.

Two public speeches in 1902 by Mr. Hanbury, the President of the Board of Agriculture, gave the impetus of official support to the movement for co-operative purchase in England and Wales. In a speech in London, the President observed that "one of the most useful aims to which societies could devote themselves was the purchase of manures and foodstuffs. These things were sold at a much cheaper rate wholesale than when they were bought in small quantities and it was only by co-operating that farmers could buy them at anything like reasonable prices. It was not merely a question of price; often the small farmer did not get the quality he expected . . ." In a speech at Aberystwyth a few months later, the President expressed the view that "it is especially necessary to have co-operation for the purpose of buying pure seeds, or good manures, or good feeding stuffs."

Emphasis was laid, at this early stage, on the service which societies should be in a position to render to their members by safeguarding them against the misdescription and adulteration of the supplies they purchase. An increasing number of societies appear to have assisted their members in this respect by obtaining frequent analyses of manures and feeding stuffs and by obtaining guarantees of purity regarding both these commodities and seeds. It was not until 1906, that the Fertilisers and Feeding Stuffs Act was passed which made it incumbent on vendors of fertilisers and compound feeding-stuffs to declare specific particulars regarding the composition of commodities sold.

Mention should also be made of the fact that among the societies registered in 1903 was the Midland Counties Agricultural Supply Association. This organisation was said to have been formed to provide a purchasing medium for farmers' societies which it would be beyond the power of implement dealers and agents to control. As a new departure, the society undertook the manufacture of certain classes of implements, while for others, the manufacture of which would require extensive plant, direct relations were established with the makers.

* For record of registration, and removals from register, of agricultural supply societies from the year 1901 to the year 1923, see Table III., p. 178, Economic Series No 1.

A feature of interest in 1904, when seventeen farmers' supply societies were added to the register; was the establishment of a non-trading Advisory Business Department by the Agricultural Organisation Society, which undertook negotiations on behalf of societies with manufacturers of fertilisers, feeding-stuffs and other agricultural requirements and with seed merchants. The department also negotiated with the principal railway companies for warehouse, shed and coalyard accommodation for a number of societies. The establishment of the Advisory Business Department was a natural introduction to the establishment of a trading federation for the movement as a whole. These and other developments leading to central trading are referred to in Chapter VI., but it may be observed, in passing, that, at or about this time, the various fertiliser and other manufacturers agreed to place most societies on lowest trade terms.

The number of requisite supply societies added to the register each year continued fairly steady. Figures published in the Board of Trade Labour Gazette showed that there were a total of 114 such societies in existence in 1908, with a total turnover of £709,849 (of which nearly one-third was represented by the turnover of one society, namely the Eastern Counties Farmers' Co-operative Association) as compared with a total turnover of about £50,000 recorded by the 11 societies in existence in 1900. Total membership had increased from roughly 1,200 to approximately 10,000 in the same period. Satisfactory though the progress was, and the movement had, by 1908, invaded nearly every county, the possibilities of extension remained enormous. Even the largest and most successful societies were only touching the fringe of the agricultural business in their district. A difficulty in the way of the more intensive working of the societies' areas appears, in many cases, to have been a reluctance to employ full-time managers. Societies which had the enterprise to appoint young and energetic managers who could devote their whole time to the societies' work seem quickly to have found that salaries were fully earned. In one or two cases, in order to persuade their societies of the wisdom of employing paid officials, a few progressive members personally guaranteed the manager's salary for the first twelve months. However hesitating some societies may have been in this matter, those responsible for the direction of the movement, as a whole, appear to have been fully convinced that its future largely depended both upon the recognition of the fact that paid managers were practically indispensable to co-operative undertakings and upon the creation of a class of managers, trained in co-operative methods, who could supply the commercial experience, tact and energy required. Other difficulties also emerged. It appears that, in some cases, societies were making a practice of price-cutting and not allowing a sufficient margin to cover expenses. Some societies also appear to have found it difficult to insist on strict adherence by their members to agreed terms of credit, and were obliged to forego valuable

discounts through inability to discharge their liabilities at the proper time.

(iii) 1914 to 1923.

At the outbreak of war combination for purchase was still the most widely developed form of agricultural co-operation in England and Wales. Societies formed for this purpose appear to have numbered just over 200, with a membership of about 24,000, and with a total turnover of nearly £1,700,000. On the one hand, there were a few societies, serving several counties, with annual sales exceeding £100,000—one society, the Eastern Counties Farmers' Co-operative Association, having a turnover of over £300,000—and, on the other hand, there were a number of small local societies serving a group of small-holders with a turnover of a few hundred pounds, a number returning an annual turnover of less than £100; between these extremes stood the majority of societies in every conceivable stage of development.

With the advent of war conditions, the Agricultural Organisation Society concentrated on the development of existing societies, rather than on the formation of new undertakings, and urged the enrolment of a greater proportion of farmers in each society's area. Moreover, farmers generally were reluctant to embark on new ventures pending a return to normal circumstances. Hence, while, on the one hand, the number of societies added to the register, which had been considerably above the average in 1913 and 1914, fell away somewhat in the early years of the war, there was, on the other hand, a steady increase in membership, particularly among the well-established societies. In any event, membership was not without its attractions. Organised farmers were in an obviously stronger position to obtain their requirements than individual producers. There was evidence, too, that a number of societies, with stocks on hand at the beginning of the war, had continued to sell on normal terms instead of taking advantage of the rising market.

In the early years of the war, most societies appear to have done well, the policy which many had adopted of establishing branch depôts being fully justified by results and facilitating development within the areas served. Such societies were in a better position to meet the exceptional conditions then prevailing than societies carrying on a purely brokerage business which was too often confined to the large farmer and of doubtful service to the small producer. Many societies intensified their activities by developing their trade in both members' and non-members' produce, the tendency of farmers' supply societies to undertake marketing functions having always been a characteristic of the movement. In fact, most of the larger societies, at this date, appear to have been engaged in handling produce to a varying extent and with varying degrees of success according to the capacity of the management.

It is of interest to record the fact that in 1917, the lack of trained and experienced managers was such that a scheme was

drawn up by which students at agricultural colleges were to add training in commerce to the customary theoretical and practical training in agriculture, the instruction in commerce to be followed by actual experience, for a period, in the running of agricultural co-operative societies under the supervision of existing managers. It was proposed to try the scheme after the war; but, so far as can be ascertained, it was never put into operation.

By the year 1918, the production, prices, export and, to a certain extent, distribution of both fertilisers and feeding-stuffs were controlled. Supplies were difficult to obtain, but the importance of the movement at this critical period was recognised by representation being given to it on the Central Advisory Committee on Feeding Stuffs and on a number of other committees. On the whole, it is probably true to say that the imposition of control assisted rather than impeded the existing organisations.

The actual extension of organisation during the war period remained, however, a difficult problem, but with the cessation of hostilities development again became possible. In the year 1918, which was notable for the formation of the Agricultural Wholesale Society (*see* Chapter VI.) societies trading mainly in agricultural requirements numbered about 250, with a membership of about 40,000 and an annual turnover in agricultural requirements approaching £4,000,000, in addition to produce sales amounting to nearly £750,000.

Within six months of the signing of the armistice, the delayed advance in co-operative development was in full swing. A striking feature of this development was the formation of large societies in various parts of the country, equipped for both the supply of agricultural requirements and the disposal of produce and organised on a county basis. In most cases, these large-scale units were formed by the amalgamation of a number of small societies accompanied, at times, by the purchase of existing merchants' businesses. Their operations were usually based on the principal market towns and on recognised trade routes; most of the new societies appear to have made a special feature of establishing depôts to serve their somewhat extensive areas and of appointing depôt committees to supervise local administration.

Over 40 societies for the supply of agricultural requirements were registered in 1919, the largest figure ever recorded in any one year. This was the year of the national propaganda campaign of the Agricultural Organisation Society. The policy of the society was to advocate the formation of large-scale organisations of the kind above referred to, to press for the employment of competent and adequately paid managers, and to encourage the intensive working of the areas which such societies served. A certain amount of overlapping between societies was, perhaps, inevitable in the circumstances and, for a time, showed signs of becoming a serious problem. The problem was not new in the history of co-operation and had confronted the industrial co-

operative movement for many years. It is impossible to prevent producers or consumers from dealing with the society which suits them best, and, in practice, no boundary line can strictly be drawn. The difficulties of the agricultural movement in this respect seem to have been partly removed by frequent conferences between adjacent societies, but the difficulties could never be wholly disposed of and they persist in many parts of the country to the present time.

The period of expansion brought out the seriously undercapitalised state of many societies. The transition from a mere agency business to one of dealing is one line of development for agricultural supply societies, but the undertaking of this and other functions requires additional capital which is not always forthcoming. Even societies which had been engaged in dealing for several years were not always successful in obtaining the further capital necessary for their expanding trade. Complaints were made that many farmers regarded their society merely as another trader in the district and as they had never been called upon to finance their local merchants they did not take readily to the idea of adequately financing their society. It was the view of those responsible for the direction of the movement that each member should subscribe sufficient capital to finance his own trade, and that this should not be less than 10 per cent. of his own estimated turnover with his society plus a fair proportion of the value of the society's fixed assets. It was pointed out, also, that increasing turnover was not of itself a measure of a society's success, and that a small turnover and sound balance sheet were preferable to a large turnover and poor results. Societies were also warned against giving excessive credit with the heavy demands on available working capital which it entails; credit to members, it was considered, should normally not exceed four weeks. This was in 1921. In the previous year, the peak turnover of societies was reached; sales of agricultural requirements amounted to approximately £9,500,000 while the produce sales of societies dealing mainly in farmers' requisites amounted nearly to a further £2,000,000. Membership had reached 56,000; although the total number of societies, allowing for removal from the register, remained in the neighbourhood of 250. Prices however, had already commenced to fall, and many societies accustomed to buy forward or to hold stocks finished up with adverse balances. Heavy losses were again incurred by many societies in 1922, in common with traders generally, and it was not until 1923 that the majority of societies began to recover. Some idea of the effect of these misfortunes on the strength of the movement, as measured in terms of societies, may be gathered from the fact that while only 22 societies in all were added to the register during the years 1920 to 1923 inclusive, 71 societies were removed for various reasons during the same period. By the year 1923, the financial stringency existing among farmers was clearly reacting on societies, and members were tending to divert

their trade to channels where longer credit could be obtained. However great the need for capital to finance the expanding trade of the boom period, the need was greater now to replace accumulated losses and to enable longer credit to be given to farmers who, as a class, had been badly hit by the trade depression; but whereas members might have adequately capitalised their societies with little difficulty before the break in prices came, they were now less able to do so and were disinclined, in the mass, to shoulder further financial burdens. A low level of capitalisation remained therefore, a drag on progress and is a feature of the movement at the present time.

(iv) The present position.

So far as can be ascertained, the number of farmers' societies trading mainly in agricultural requisites in the year 1923 was 193, with a total turnover of £8,203,580. The membership of these societies totalled 60,066, the share capital nearly £1,000,000, and the total capitalisation from all sources nearly £2,000,000. The results for the year 1924 are not yet fully available, but are expected to show a small increase in share capital and membership, a slight reduction in the number of societies in active business, but a considerable increase in turnover. The steady appreciation in membership is worthy of note in the light of the setbacks of the past few years, and, together with the probability of improved results for the year 1924, suggests that the movement has regained its momentum. Some idea of the extent to which farmers have adopted the system of co-operative purchase in this country may be gathered from the Report of Professor D. H. Macgregor of the Agricultural Tribunal of Investigation* 1923-24, in which it is estimated that one English farmer in four is associated for the purchase of requirements. It should be added that, in 1924, both the Agricultural Organisation Society and the Agricultural Wholesale Society went out of existence; certain of the functions† of the former have now been assumed by the National Farmers' Union.

The geographical distribution of societies is given in Table I., which also shows, approximately, the area served by each society. The distribution by counties alone would afford no indication of the comparative strength of the co-operative movement in any particular counties or areas. To make such a comparison, account would have to be taken not only of total membership and turnover, but also of such factors as acreage farmed by members, potential membership and acreage represented, also size of holdings and nature of farming, and the factor of least importance would be the number of societies per county. In point of fact, some 70 per cent. of the societies are to be found in an area of less than a third of England and Wales and lie to the West and North of a line running up the Severn Valley to Shrewsbury, thence to Sheffield

* Cmd. 2145, p. 139.

† See N.F.U. Year Book, 1925, p. 219.

(i.e. including the West Riding of Yorkshire) and on to Ripon and Carlisle. The inference is not so much that co-operation has made greater progress in Wales and the North-West Counties of England—though if measured in membership and not in turnover, this may be true—as that this area is, in the main, the home of the small society. The East Coast and, to a lesser extent, the South and South-West are served by large societies, some of which, such as the Yorkshire Farmers, the Eastern Counties and the Southern Counties, cover a very wide area; in the Midlands, the county boundary not uncommonly determines a society's area. In Wales, East Lancashire and the West Riding of Yorkshire, the prevalence of the small society is attributable to reasons which are not only agricultural and social, but are also in some degree geographical. In some parts of Wales, for example, where communication is difficult, the operations of societies are restricted to areas which are convenient of access, the depôts of such societies being situated along the railways running up the valleys. The tendency for societies to overlap, though not exclusive to any part of England and Wales, is somewhat marked in Cheshire and Lancashire and parts of Wales; it is less noticeable in districts where transport communications are somewhat restricted, but is most pronounced when thickly populated industrial areas, interspersed with districts of dairy, hill or arable farming, provide conditions suitable for the operations of both large and small societies. When these conditions obtain, societies of different type and scope are not infrequently found in open, if friendly, competition. In more than one case this has resulted recently in amalgamation.

A point of general interest is that societies in England and Wales have developed a multiplicity of functions as purveyors of all kinds of agricultural requirements, and that development on a specialisation basis, as in Denmark, where each supply-society handles and distributes one particular commodity, such as fertilisers or feeding-stuffs, is exceedingly rare. Nor has there been that close connection between co-operative buying and co-operative credit which has been a feature of the movement in other countries. The Raffeisen credit societies in Germany, for example, the Kampelicky credit societies in Czecho-Slovakia, and the rural credit societies in France and Belgium have afforded the basis on which the co-operative purchase of requirements has been built up in those countries. In England and Wales, the development of co-operative purchase has followed the methods of business to which farmers have been accustomed for generations, to which may be attributed the tendency of new societies to start by taking over old-established general businesses, the abandonment by societies of the cash-with-order ideal, and the practice of contra-accounts which many societies find necessary.

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CHAPTER II.—CLASSIFICATION OF SOCIETIES.

It would seem difficult, if not undesirable, to treat the agricultural co-operative purchase society as a single entity to which one set of generalisations will invariably apply. Conversely, it would be impossible within the space of this Report to attempt to pigeon-hole correctly the many existing varieties of type. A system of classification has, therefore, to be found which will provide a mean between these extremes.

The system adopted in this Report is based primarily on the method by which goods are distributed to members, which, though but one item, and not by any means the most significant, in the business features of a society, seems in its effect on finance, management and scope and policy of trading, to colour the activities of all.

The function of distribution may be performed in three ways :—

- (1) A society may deal on a truckload basis, and, without handling goods itself, arrange delivery to a member's railway station direct from the source of supply.
- (2) Another may undertake storage and depend for distribution of goods on collection by members from its store, while
- (3) Another may itself arrange delivery by road direct to members' premises.

Societies have been divided in those groups accordingly. Those in Group A undertake the first of these distributory functions only, those in Group B undertake the second, frequently in addition to the first, while those in Group C undertake the third function in addition to one if not both of the other two. Few will dispute the wisdom of treating Group A as a separate type. To some, however, the distinction between Groups B and C will seem to be arbitrary, and, perhaps, artificial. It would, of course, be easy to attach too much importance to any classifying method, to make it the touchstone by which all criticism must be tried out. Such is not the intention. Classification is only a means to an end, the end in this case being to simplify the task of applying general principles and general criticisms and to avoid the necessity of making individual criticism with no general application. Moreover the line of demarcation between Groups B and C is not clean cut. In fact, there is a neutral zone rather than a line of demarcation, and the classification of some societies, which are, so to say, in the zone, must remain a matter of personal opinion.

Group Statistics.

Certain average statistics of the three main groups of societies are summarised below and are of interest in their bearing on

the classification adopted, but allowance must be made, particularly in Group A, for the influence of one or two dominant societies.

	Type of Society.	No. of Societies.	Average Membership per Society.	Average Turnover per Member.	Average paid up Share Capital per Member.
Group A -	Truckload	20	123	£ 71	£ 5.3
Group B -	Storage	79	235	62	8.9
Group C -	Delivery	94	416	176	21.0

Attention is also directed to Table II., pp. 103-4, which gives group totals and certain further averages of turnover and capitalisation respectively and lends support to the classification.

It is proposed to discuss a little more fully in the pages immediately following, the distinctions in type that seem to emerge.

(i) Group A.—Truckload Societies.

This is the simplest form of association for the purchase of requisites and is typical of many farmers' supply societies in other countries, including Germany. The business methods usually adopted by societies in this group are described later in Chapter III., p. 15, but, in broad outline, farmers combine to bulk orders and accept delivery by the truckload direct from the source of supply. This type of society has neither storage nor transport, frequently has no office, and employs the minimum of staff. The latter may consist of a part-time or whole-time secretary paid by a commission on sales. Such a society may also deal in members' produce, chiefly corn. There are 20 societies in this group (*see* Table III., page 105) of which 18 (11 in England and 7 in Wales) sell requisites only, and 2 (both in England) handle produce as well.

It is sometimes objected that such societies are of no help to the small-scale producer who cannot accept delivery by the truckload. One society, the Oxfordshire Farmers, with a turnover of over £50,000 in 1923, has found a solution of this difficulty in the affiliation of local societies of small-holders, which themselves bulk orders for transmission to the main society. A similar procedure has also been adopted by another society, Nursery Trades (*see* page 16), in respect of specialist producers in outlying areas.

(ii) Group B.—Storage Societies.

The difficulty of catering for the needs of the small-scale producer has given rise to the type of society (Table IV., pp. 106-7)

which differs from a truckload society in that it possesses storage accommodation. This is most frequently a shed in the railway goods-yard, where consignments are broken up for collection by members, or it may be a combined store and retail shop near the station. In this case, also, expenses are small, the staff consisting frequently of a whole-time or part-time store-keeper-secretary who is more usually paid on commission than by a fixed salary. This type of society is common in industrial areas (such as in Wales or Yorkshire) in which small-holders, themselves sometimes miners, factory hands, or mill operatives, have a ready retail market for their produce. Societies in this class are influenced in their administration and methods of trading by the Co-operative Wholesale Society to which the majority of them belong, and from which in many cases they obtain not only agricultural requirements, but also household goods of every description for sale in their stores or shops. Some societies of this type also market agricultural produce, both on a small scale in retail stores and in a larger way in the open market. All the societies in this class, however, are not of this quasi-industrial type. The Carmarthen Farmers (*see* p. 32) is an obvious exception. Again, the group includes at least four large English societies which handle both requisites and produce and have a turnover of £50,000 and more, but, by the possession of depôts or milling plant, or by a more numerous staff, or more complex organisation, appear to cater for a different class of member or to exist for a different purpose.

The group, as a whole, comprises 79 societies, of which 25 (13 in England and 12 in Wales) handle produce, and 54 (20 in England and 34 in Wales) sell requisites only.

Most frequently, but by no means always, the truckload societies serve a small area, and the storage type almost invariably do so. The area served by these latter societies appears to be limited by convenient cartage distance and can only be extended by the creation of depôts, a system which is employed by 24 out of 79 societies of this type, or by development into the third type of society (Group C), which itself undertakes, or otherwise arranges, an organised system of delivery by road to members' farms. This does not imply, however, that all societies which employ road transport should necessarily be placed in this latter group. Some storage societies, for example, employ hired transport (or occasionally their own horse or motor lorry) to deliver goods from railhead to store or from store to depôt, but do not deliver goods to members. There are several successful societies with this feature in Glamorgan, for example, and others in the North of England. In these cases, transport and management expenses and the methods of conducting business differ very little from the standard type of Group B society. This is carried a little farther by some storage societies which deliver a very small proportion of their sales to members who, however, arrange to collect the greater part of their purchases themselves. Apart from this, it will be observed that, up to this point, the use of

road transport by societies is merely incidental and auxiliary to the railway services.

(iii) Group C.—Delivery Societies.

The final class, the most common, most fully developed and most diverse in methods, is that of societies which deliver a substantial part of their sales to members' premises (see Table V., pp. 108–110). About half of the existing societies in England and Wales make a feature of delivery in this way, the proportion doing so in Wales being considerably smaller than in England. The actual numbers of societies in this group are as follows :—

—	Requisites only.	Requisites and Produce.	Total.
England - - -	15	57	72
Wales - - -	7	15	22
Total - - -	22	72	94

Delivery may either be by hired transport, or by the societies' own transport, while some societies employ both methods. Local conditions must largely determine a society's choice in each case.

The number of single-purpose societies (i.e., societies which deal in requisites only), which distribute by hired transport, is not large. In some cases the volume distributed does not justify the acquisition of a lorry.

Eighteen single-purpose societies own their own transport; they are comparatively simple in organisation, while the area they cover is normally small. Six maintain depôts and five have milling plant. The latter implies that probably they buy members' corn from time to time for grinding, but this is likely to be merely incidental and to depend on the state of the market. Societies of this kind show a ready tendency to broaden the basis of their operations by embarking on the sale of produce. One has just commenced to do so, while another intends to as soon as the necessary accommodation can be acquired.

Of societies in Group C which handle both requisites and produce, 63 own their own road transport, while a few do not own, but hire transport extensively. These latter vary in size and activity from a big trading organisation such as the Yorkshire Farmers, with a membership of nearly 800, a turnover of over £330,000, with stands in Mark Lane and other markets, milling facilities, depôts and a staff of over 100 employees, down to parish societies with a membership of from 70 to 80 and turnovers varying from £1,000 to £5,000 which may only hire a horsed wagon once or twice a week.

Of the 94 societies in the group as a whole, 43 had each, in 1923, a turnover of over £40,000 (including 16 with a turnover exceeding £100,000) while the average turnover per society

of the whole 94 is in the neighbourhood of £73,000. Some twelve cover an area of several, or parts of several, counties and a further twelve serve a whole county. It is therefore only to be expected that societies of this size should have a more complex organisation, and, after a period of bad trading years, a higher percentage of losses than societies with a more limited objective which face a simpler problem.

It should be borne in mind also that the fact of handling produce necessitates more capable and therefore higher paid management, frequently results in the provision of milling facilities and sometimes increases the need for road transport. Similarly, an increase in the area of operations beyond that within which it is convenient for farmers to collect their own goods by horse-wagon, creates a problem which is generally met by the formation of depôts, or by the maintenance of a fleet of lorries, or by a combination of both. All these factors combine to raise both the management and overhead expenses which are an inducement to increased trade, which, again, has frequently to be sought in the open market from non-members and through normal trade channels. Thus the larger the society, the more it may be driven to abandon its co-operative status and to appear in the open as a trading concern competing alike with agricultural merchants, brokers, wholesalers, retailers and millers. In this group are societies with dairy depôts, egg depôts, auction marts, seed-cleaning establishments, slaughter-houses, machinery repair depôts, saddlers' and blacksmiths' shops and butter factories, while others are doing business as cheese factors, retail bakers and butchers, retail milk distributors, auctioneers and estate agents. The main objective of most of these societies is the supply of requisites, the handling of produce being incidental and not infrequently being forced upon the society by tradition and the farmers' desire for credit. It may be observed, however, that some societies undertake marketing on a scale and in a manner which suggests that they should fall as much in the category of marketing societies as of requisite societies.

Even in the actual supply of requisites, the larger societies, in particular, show considerable diversity of method. Some deal extensively with the Co-operative Wholesale Society; others in the vicinity of the big ports buy from shippers and millers; several deal direct in the London markets with shippers, importers, merchants or brokers; others again, with local port facilities, themselves act as shippers. On the whole the group of societies, dealing in requisites and produce, and owning their own transport, although more complex in organisation, more costly in maintenance, and more speculative in tendency, are also more representative of the agricultural co-operative movement in this country than are many of the smaller and simpler societies which, dealing also in household goods and foodstuffs, are more akin to societies in the industrial movement.

CHAPTER III.—GROUP A.—TRUCKLOAD SOCIETIES.

As previously stated, this group comprises 20 societies, of which only two handle produce. Of the 18 societies which sell requisites only, two are now in process of winding up, one other is dormant, and three appear to be losing their trade to other and larger societies in the neighbourhood.

(i) Services.

The societies in this group serve as pooling media for their members' orders; the advantages of bulk-buying, namely, lower transport charges, lower prices and some control over quality lie at the basis of the economies which they seek to effect. In their simplest form, they represent a type of co-operation which, in the past, has generally suggested itself to any small groups of farmers attempting, for the first time, to combine for business purposes. One of their number undertakes to act as secretary. He ascertains from each member of the group his exact requirements in any particular commodity, say, linseed cake. Having obtained quotations from one or two suppliers for the total order, he gives the order and arranges that the consignments shall be sent in truckloads to specified stations. He then advises members when to arrange to collect. Such a co-operative transaction may be, and it is believed frequently is, undertaken by unregistered groups of producers, but, for obvious business reasons, it is usual for such groups sooner or later to become incorporated.

So long as the number of members in the group is small, this method of purchasing requisites may work quite satisfactorily, though it is necessarily limited to the purchase of such requirements as can be conveniently taken in truckload lots. As soon as the group becomes larger, a different method of transacting the business has to be devised. When the society has two or three hundred members or more, it would be impossible for the secretary or manager to ascertain exactly the requirements of each member in respect of the numerous commodities in ordinary use. He has, therefore, to estimate the probable requirements of the members and order accordingly. He orders, for instance, two hundred tons of cake for October delivery in the expectation that his members will require that amount. As he sells the cake, he instructs the suppliers to rail the quantity to the buyer's station. Towards the close of his contract period, he is able to gauge more closely the extent of his members' requirements. If he finds that the demand from members will exceed his order, he will cover himself by a further purchase; if he has over-estimated his requirements, he must, as he has no storage facilities, dispose of the balance either by making a fresh arrangement with the original seller, or, it may be, by selling it elsewhere in the trade. He has, in fact, to run the ordinary risks of a merchant. It may be added that although minimum rates

are only available for 4-ton lots, societies are frequently able to obtain these rates for members who only order 2 ton, 1 ton or even $\frac{1}{2}$ ton lots, provided these orders can all be bulked to the same station.

In general, orders are accepted for such agricultural requirements as fertilisers, feeding stuffs and seeds. One society deals in feeding stuffs and seeds only, one in feeding stuffs only, one in fertilisers only, and one in coal only, while one society accepts orders for drapery in addition to the usual agricultural requirements. Several societies deal in implements, but a number record difficulties in developing this trade.

Although these societies do not undertake storage, except that in one or two cases supplies of articles, such as binder twine, &c., are kept on hand to oblige members, the resultant economies are accompanied by restricted services, and accordingly there is always a tendency for them to extend their trade by opening a store or depôt for retail sales; at least one society contemplates this step, and anticipates that it will prove cheaper to members through the saving of demurrage charges which fall on them when they delay in clearing consignments.

In this group credit is less emphatically a service than in Groups B and C. Nevertheless, most of the societies give their members credit ranging from 7 to 28 days: only four appear to operate on a cash basis. Marketing is an additional service which is provided by two societies which handle produce, mostly grain, as a regular feature of their trade. One of these normally sells on commission on behalf of members, the other usually buys from members outright at market prices.

In order to illustrate the working of truckload societies, two have been selected for description. These have both built up extensive businesses solely on a truckload basis; they are much larger units than the majority of societies in the group.

(ii) Examples of Two Truckload Societies.

(a) NURSERY TRADES.

(b) OXFORDSHIRE FARMERS.

(a) NURSERY TRADES.

General.—Nursery Trades, formed in 1920, is an association of nurserymen who have combined to purchase their principal requirements in bulk. The direct shareholder members are mainly growers of glass-house produce in the Lea Valley district, but the society has many indirect members in East and West Sussex, North-West Kent and Bedfordshire through the admission of local associations in these areas as shareholders on affiliation terms. There are also a few direct members in outlying parts of the country. The Lea Valley, which includes parts of Hertfordshire, Middlesex and Essex is well-known as the largest centre for tomato and cucumber growing under glass in

Great Britain, about 1,400 acres in the district being at present devoted to this form of culture. In view of the fact that practically all the growers are engaged in the same operations and have the same needs, it is natural to expect that there should exist a stronger impulse to co-operation in the district than would normally occur in ordinary farming areas where requirements are, in general, more varied. This expectation is borne out by the facts.

Joint action by the growers commenced with the Lea Valley and District Nurserymen's and Growers' Association, a non-trading body formed in 1911 to safeguard the common interests of the local industry. This was followed, in 1914, by a further step in combination, namely, the foundation of a research station, the Experimental and Research Station, Cheshunt, which receives a substantial grant from the Ministry, and has for its object the application of scientific research to all problems of glasshouse production. In 1920, as stated above, Nursery Trades was formed for the purchase of requirements in bulk. In 1922, a further advance was made by the registration of the British Glasshouse Produce Marketing Association, which has for its object the encouragement of better marketing of British glasshouse produce. While this latter company is not registered under the Industrial and Provident Societies Acts, it is, in effect, a co-operative association, and, as in the case of the Lea Valley and District Nurserymen's and Growers' Association, is registered as a company limited by guarantee. The Nursery Trades is registered under the Industrial and Provident Societies Acts. It may be noted that all four organisations are in close touch with each other.

Objects and Methods.—Nursery Trades, the purchasing association, was formed at a time of high prices after the war. Growers became convinced that the cost of their principal requirements, when obtained through the ordinary channels, was unreasonable; the society was formed, therefore, with the express intention of reducing the margin between the manufacturer and grower. It is claimed that in the case of one article largely used by growers, namely glass, the society was immediately able to effect striking savings.

It was not the intention of the society to attempt to cater for all the requirements of its members, but to confine itself to bulk purchases of the principal requirements and, further, to act as an alternative source from which growers could procure their supplies rather than to displace the numerous trading concerns already in existence, many of which it was felt had done and were doing good service to the chief industry of the valley. For this reason, the society's trade has been mainly confined to three principal articles, fuel, glass and fertilisers. The proportion of the society's turnover which each article accounts for, varies considerably from year to year according to the state of the markets. Thus in one year, 1922, in consequence of dissatisfac-

tion expressed by the members with the price and, to a certain extent, with the quality of the coal then obtainable through the ordinary channels, the society purchased £20,000 worth of coal for resale. It may be noted that this was an exceptional transaction and was not entered into without the assurance that the members of the society would take delivery according to their respective requirements. In this case, the price which the society was able to quote to the grower would, however, in itself have ensured disposal. The more usual practice is for the secretary, who also acts as manager, to obtain the committee's consent to contract forward in accordance with anticipated demands rather than to secure orders before purchase, speculative risks being minimised by a cautious policy. The society's most regular trade is in glass and fertilisers; the procedure adopted to meet the special needs of glasshouse growers in regard to certain fertilisers is an interesting example of the advantages of combination. Certain compound fertilisers have been proved by scientific investigation at the research station and by the practical experience of growers to be of especially high value in glasshouse production. Annual tenders for the bulked supply of these fertilisers, made to specification, are obtained from reliable manufacturers and contracts are entered into with the lowest tenderer in each season. This method enables the society to supply members, on the lowest possible terms, with the fertilisers which, by general agreement, are most suitable for their purposes. Mention has already been made of the fact that the society has a number of local associations in affiliation.

Organisation.—The work of the society is carried out by the secretary, who is also secretary of the British Glasshouse Produce Marketing Association, with the assistance of one clerk (whole-time) and one clerk (part-time). The society, in 1923, employed a salesman, but discontinued this experiment after six months trial. The society rents its offices and occasionally rents warehouse accommodation. It is, however, rare for goods to be handled as they are usually sent direct to purchasers. For this reason there is no necessity for a permanent depôt or depôts. Twenty-eight days credit is allowed to members. No business is done with non-members. It is considered that growers owning at least 50 per cent. of the total glass-area in the Lea Valley district are members of the society, their holding ranging from half an acre of glass up to 40 acres. Since glass-houses are costly to erect, the larger holdings represent considerable capital expenditure and, in consequence, are frequently owned by companies. On the 31st December, 1924, the society had, out of a total of 158 members, 133 ordinary members and 25 associations, societies and companies on its books.

Financial Results.—The society's trading policy has been to supply members on the lowest terms possible rather than to aim at paying bonuses. Hence the balance sheets of the undertaking, while satisfactory and revealing a sound position, do

not disclose any large profits. It is, of course, a commonplace that the success of co-operative societies, which pursue the policy of giving immediate price advantages to members, cannot be judged by the amount of their profits and only partially by the figures shown in their financial returns. It may be noted, however, that the balance sheets of Nursery Trades show that (1) the society's credit terms are adhered to, (2) the ratio which costs of administration have borne to turnover has been distinctly low, and (3) no charges have been incurred for bank interest, all points indicating prudent management. The full returns of the society are as follows :—

—	1920 (8 months).	1921.	1922.	1923.	1924.
Membership -	71	117	152	154	152
Share Capital - -	£166	£1,141	£1,392	£1,399	£1,755
Turnover - - -	£2,690	£33,405	£54,733	£25,276	£30,336
Cost of Administration	£116	£689	£1,243	£889	£936
Percentage Cost of Administration to Turnover - - -	4.3	2	2.2	3.5	3
Net Profit and Loss -	£1	£620	£321	£58*	£324
Reserve Fund - -	—	£261	£417	£242	£479

* Loss.

It is unnecessary to comment further on these figures, except to note that, in 1921, in addition to interest at 5 per cent., which has been paid annually, 265 bonus shares were issued to members in the proportion of a £1 share for each £100 worth of purchases made by the member during the year, a cash bonus being credited to members' accounts in the same proportion for smaller amounts of purchases. Since that date, surpluses, after payment of interest, have been carried to reserve. The loss sustained in 1923 appears to have been mainly due to bad debts which were, however, recovered in part in 1924. Bad debts have fortunately been generally avoided in other years.

Conclusion.—It can hardly be disputed that the society's work, though limited in scope, is of appreciable value to the local industry and to the district. It is claimed that the society's prices are, in most cases, considerably lower than ordinary trade prices for the principal requirements which it undertakes to supply. However this may be, the mere existence of the society is a safeguard to the growers concerned. It must be remembered that the production of crops under glass cannot be undertaken without a heavy capital outlay; many of the grower members, whether individuals or companies, are in a considerable way of business and have to place large orders for their requirements. It is significant, therefore, that in spite of being thus generally well situated for purchasing on favourable terms through the

usual channels, the growers have found it desirable to create and have continued to support a co-operative society for the purpose of obtaining supplies.

(b) OXFORDSHIRE FARMERS.

The Oxfordshire Farmers is a county society of comparatively recent formation. It was registered in 1920 during the period of co-operative expansion which followed the war. This expansion may be considered to have been due partly to the farming situation, the minds of farmers being then turned towards combination for business purposes and their financial position permitting them to find the necessary capital, and partly to the efforts of the Agricultural Organisation Society, which were directed, at that time, to the foundation of large societies covering a county or part of a county. Prior to the formation of the Oxfordshire Farmers, there had been little co-operation in the county of Oxford. Since that date, the Oxfordshire Bacon Factory has been founded, also a dairy society, the Oxfordshire Dairy Farmers, which operates in the city of Oxford. It is interesting to observe that, in the case of the Oxfordshire Farmers as also in the case of some of the other county societies, progress has been mainly due to the support given by the larger farmers, who have seen that a well-managed society selling at or near market prices can return bonuses representing considerable savings on large accounts. Many of the largest and most prominent farmers in the county were concerned in the formation of this society and they have since given it constant support.

Mode of Operation.—It may be for this reason that the method of trading which the society originally adopted (and with certain modifications still pursues), is a method which is generally supposed to be mainly of value to large farmers. That method is to concentrate on effecting savings by buying in bulk, all goods being railed to the purchasers' station direct from the suppliers, thus avoiding the expenses that must be incurred if a society has warehouses, does its own milling and undertakes delivery to its members' farms. Hence it is that, notwithstanding its large turnover, the society's premises consist of an office only, while the staff is limited to the manager, who has been manager since the society started, an accountant, a clerk and a salesman. The society has an honorary secretary. The society's office is in Oxford, but the manager and the salesman, between them, attend all markets in the county and are able in this way to keep in touch with members. Actual trading is left entirely to the manager. A small finance committee, which meets monthly, keeps in close touch with the business. The general management committee meets, as a rule, every three months.

The society's business is that of general corn and manure merchants, supplying feeding-stuffs, fertilisers, coal, seeds and

other agricultural requisites at market prices. It does not deal in agricultural machinery at present and its method of handling produce is mainly by sale on commission. The principal produce handled is grain which is usually sold from sample on Mark Lane. The turnover in grain for 1924 amounted to £4,098. Other produce dealt in included clover, cocksfoot and vetches for seed.

Special Features.—Three features of this society call for special notice. The first is the system which the society has adopted to encourage prompt payments from its members. The general terms of payment are cash in fourteen days. By one of the society's rules, only those members' purchases which are paid for within fourteen days qualify for bonus. It will be observed that this rule, though creating an inducement to members to make prompt payments, since the bonuses which the society pays are of a substantial nature, must also tend in certain cases to limit sales. This is admitted, and it is stated that the society is less concerned with developing a large turnover than with maintaining the strong financial position which the adoption of the system has made possible. In point of fact, the society's balance sheets show that debts due from members have averaged, in each year, considerably less than one month's turnover and that out of total sales of £65,244 in 1924, £44,400 qualified for bonus. The balance of the sales was made up by sales to members who paid after the prescribed period and by sales to non-members, these latter being estimated to be 5 per cent. of the society's total turnover.

The second feature of special interest is the method adopted by the society to deal with small orders. The society's business is sufficiently extensive to enable it, as a rule, to include small orders, without undue delay, with larger consignments already booked to proceed to purchasers' station, thus obtaining the usual railway rebate for two or four ton lots. Orders such as for a ton of nitrate of soda, or five cwt. of linseed cake, would normally be forwarded in this way: smaller orders such as for a few pounds of seed are sent by post. Small orders of this kind are not a large item in the society's trade.

The third feature is the system which has been devised to bring some of the advantages of membership within the range of small-holders and others who besides being unable to buy in two or four ton lots may have difficulty in fetching their purchases from the stations to which the society's goods are consigned. This system is to encourage the formation of local societies and to affiliate them to the Oxfordshire Farmers, each society holding a few shares in the latter. These smaller societies have their own committee of management, and an honorary secretary who obtains orders from the members, purchases in bulk from the parent society and arranges delivery of the goods so purchased by means of the local carrier. There are four such societies at present in existence, the Wheatley Allotment Society,

the Littlemore Allotment and Small-holders' Society, the Eynsham Allotment Society and the Ascott Small Holders' Co-operative Society; the turnover of the Wheatley Allotment Society, the largest of the group, was £1,330 for 1924, on which a bonus of £40 was earned. It is stated that, in addition to the benefit of this bonus, the prices at which the parent society was able to supply the affiliated units allowed considerable savings to be effected by the members concerned. Among the large farmers' supply societies, the system, as a considered policy, is unusual and might well be tried elsewhere. Much depends, however, on the local units being served by capable and energetic secretaries.

Financial History.—The society's financial history has been eminently satisfactory. In addition to paying 6 per cent. interest on its paid-up capital in each year since formation, it has, since 1920, given an annual bonus of 6d. in the £ to members on all their purchases paid for within the prescribed period. This bonus was raised in 1924 to 8d. in the £. The share-capital consisting of £1 shares, 5s. paid, has always been fully sufficient and for some years the society has had invested funds. In the 1924 balance sheet, these stood at £3,225, invested in 3½ per cent. Conversion Loan. No charges for bank interest appear in any of its trading accounts and its balance sheets have invariably shown a strong cash position. The general reserve fund in 1924 stood at £1,000, to which £200 has since been added. The full figures since 1920 are as follows:—

	1920.	1921.	1922.	1923.	1924.
Membership - - -	211	255	306	339	356
Share Capital - - -	£5,627	£6,001	£6,471	£6,632	£6,571
Turnover - - - -	£26,692	£48,381	£50,015	£50,829	£65,244
Net Profits - - -	£506	£1,473	£1,557	£1,594	£2,172
Ratio of Expenses of Management to Turn- over - - - - -	3.0	3.4	3.3	3.4	2.8

In 1924, the sum of £391 was distributed in interest and £1,480 on bonus, or £1,870 in all. This, if paid out as interest, would represent a return of 28 per cent. on the paid-up share capital, so that farmers who have invested in the undertaking and have been able to pay for their purchases within fourteen days have good reason to be satisfied with the results.

Conclusion.—The satisfactory results achieved suggest that the society has a prosperous future before it. At present it is considered by the society that about 25 per cent. of the farmers in the county are either members or customers. To these should be added the 300-400 small holding members of the affiliated societies. Membership shows a steady growth but there is room for expansion. All parts of the

county are represented on the committee of management, which includes some of the best known farmers in Oxfordshire.

(iii) Business Aspects of Truckload Societies.

Capitalisation and Finance.—The capital needs of these societies are low. No warehouses, plant and equipment have to be provided for—at most an office is maintained—no stocks have to be financed, while the need for working capital, if any, depends, in the main on the arrangements as to credit given and taken. The bearing of credit on the total capital requirements of these societies is conclusively shown by the fact that while the average capital, from all sources, per member of those dealing in (a) requisites only, and (b) requisites and produce is £5 6s., and £11 5s. respectively, the average debts outstanding per member is £5 3s. and £9 7s. respectively. Taking the societies as a whole, the average capital per member works out at £8 2s., while the average debt outstanding per member is £7 5s. The average capitalisation and turnover per society and per member of the group is shown in Table II., pp. 103-4.

Fifteen of the twenty societies in this group have a total share capital of less than £200, and twelve of these have a total share capital of less than £100; in four cases, the total share capital is less than £10. The two societies which sell produce in addition to the standard requisites and, at least, two others, have a substantial margin of uncalled capital. In addition, most of the societies have reserves and accumulated profits, and though, in the case of the smaller societies, these may represent a low figure, they nevertheless bear a high proportion both to paid-up capital and to turnover.

As may be expected, no loans or mortgages are recorded, while only four societies have bank overdrafts. The overdraft in one case is negligible as to amount, in another case it is largely accounted for by the fact that the society is still repaying a bad debt incurred in 1921; in the third case, the society deals in grain and usually buys outright on its own account, while, in only one case, is credit to members mainly responsible. In general, it appears that the societies which allow credit to their members depend mainly on reserves and accumulated profits to enable them to finance this service. It is interesting to note that one or two societies, although allowing their members 28 days' credit, are in a position to pay for supplies within fourteen days and so take advantage of cash discounts.

Relations with Members; Price Policy.—Apart from Nursery Trades, Cirencester Farmers, Midland Farmers and Oxfordshire Farmers, all of which cover an appreciable area, the societies in this group operate, as a rule, within an area of from two to seven miles radius. The percentage of farmers

in the societies' areas who are members varies considerably; the societies covering wide areas claim a relatively small proportion of the total potential membership, but several of the smaller societies claim a membership of from 75 per cent. to 80 per cent. of the producers in their areas, while one society records a membership of 95 per cent. of the possible maximum.

It is surprising that only about one half of the societies in this group deal with members only. Trading with non-members may be accounted for by the need to make up full consignments, by the desire to increase trade in order to improve relations with wholesale suppliers and by the fact that, usually, managers are remunerated on a turnover basis. It follows that the average turnover per member has little value for purposes of comparison in these cases; notwithstanding the trade with non-members, it is frequently small. The average turnover per member of societies which deal with members only, varies from £10 per member to £164 per member, and depends on the scale on which members farm and on the use which they make of their societies. With regard to the former, no information is available to show the average size of the holdings per society: the members of some societies are known to be small-scale producers; other societies, such as that at Dunmow, which has 25 members farming 25,000 acres, cater solely or mainly for the large farmer. The use which members make of these societies seems to vary considerably, and may be assumed to be largely determined by the number and nature of the commodities with which the societies deal and by the extent to which members obtain their miscellaneous and special lines elsewhere.

In this connection, it is of interest to observe that an attitude of lukewarmness and indifference on the part of members is recorded by a number of societies in this group. No doubt this is largely inherent in purely brokerage organisations of this type; members have no large sums at stake by way of shares or loans; the standing overhead charges are low or negligible so that defection on the part of members can hardly lead to serious financial complications. This may also account for the fact that, so far as can be ascertained, there are no agreements or contracts between members and their societies which secure that the societies shall receive the first refusal of the whole or any proportion of the orders for members' requirements. However, the mere bulking of orders implies an undertaking on the part of the members concerned to accept delivery of the goods and to relieve their society of any liability for the transaction.

The methods adopted by societies for determining prices to members show a wide variation. In general, societies in this group have a natural tendency to give their members the maximum immediate cash advantage at the time of sale; in most cases, they operate, therefore, on what is usually termed the "cost plus" system—in other words, the price to members is determined by the cost price of the goods plus a sufficient

margin to cover the expenses of management and, as a rule, the provision of small reserves. The alternative which a number of societies adopt, which in fact is the more common practice among supply societies generally, is to sell at market prices and to return any savings to members in the form of a periodical bonus on purchases. One or two societies seem to adopt a middle course.

The "cost plus" system involves the risk arising from the difficulty of determining expenses with precision, but, so far as the smaller truckload societies are concerned, the risk is small and practically confined to bad debts. There may always be a small loss due to an under-estimate of the out-of-pocket expenses incurred in connection with any particular order, but this is at once apparent and can always be made good in subsequent transactions. A more serious objection is that the "cost plus" system, involving, as it does, a measure of price cutting, must tend to arouse the hostility of individual traders competing in the same lines of business. Here again, the truckload societies which buy merely to meet a strictly ascertained demand are in a less vulnerable position than those which, carrying more or less extensive stocks, are necessarily sensitive to competitive pressure. On the other hand, under the "cost plus" system, the saving reflected in each transaction may, at any one time, be small, whereas sale at market prices followed by a periodical dividend on purchases will usually give a more impressive advantage in the case of societies which do business all the year round. It is difficult to lay down a hard and fast rule for societies which are engaged in such simple operations as those in the truckload group, but it is significant that the six societies which recorded a loss for 1923, slight though it was in most cases, all appear to operate on a "cost plus" basis, which illustrates the difficulty of arriving at a close estimate of working costs even in the case of the smallest undertakings.

Management.—As previously stated the managers (or secretaries) of most of the societies in this group give only a part of their time to the work of the societies; they are usually remunerated by a commission on sales. This varies from 5 per cent. on turnover in one case, down to 1 per cent. on turnover, plus out-of-pocket expenses, in the case of one of the larger societies; the usual rate is from $1\frac{1}{2}$ per cent. to $2\frac{1}{2}$ per cent. among the smaller units. One or two of the larger societies pay salaries; three of the smaller societies pay honoraria ranging from £5 to £17 per annum, while three societies have no paid staff at all but depend on voluntary services.

The importance of the management factor obviously varies with the scope and outlook of each undertaking. The duties of managers of some of the smaller societies are mainly secretarial and seasonal; those of the larger undertakings call for extensive knowledge of markets and market tendencies, especially when produce is handled, and a high degree of skill

in careful buying and the avoidance of risky business. The managers of most of the larger societies appear to have a free hand, but with the smaller societies the degree of discretion left to the manager depends on the energy of his committee and on the confidence inspired by himself.

Most of the societies in this group report business with the Co-operative Wholesale Society. One society reports trading relations with a larger agricultural society, namely, the Eastern Counties Farmers' Co-operative Association.

General.—The smaller societies in this group, particularly those which deal in one or two lines only, tend to specialisation in their trade and to a certain unprogressiveness of character which renders them liable to be smothered by neighbouring societies dealing in a wider range of commodities and offering additional services by way of storage and delivery. The larger societies are in a stronger position and appear to find little difficulty in holding their own.

All the societies claim to keep down prices in the areas in which they operate. Many of the societies, particularly the larger, confer considerable benefit on their members in this way; even those societies which are inactive, or trading on a modest scale, are, in a sense, a safeguard against exploitation and a bargaining asset to the producers concerned. There is, however, no homogeneity in the group, as a group; the societies are isolated bodies each conducting its business in its own way; there is no co-ordination and no common trading policy.

In conclusion, it may be said that the truckload society is a convenient and somewhat non-committal form of combination which answers well in individual cases and makes little or no financial demand on members. It is an obvious basis for more ambitious forms of organisation, and it is possible that, as a type, it may play its part in future developments.

CHAPTER IV.—GROUP B.—STORAGE SOCIETIES.

The primary services which are rendered by truckload societies to their members are common, in a sense, to agricultural purchase societies of any type, though different societies make a special feature of different services. The essence of the truckload society has been seen to be limited services coupled with maximum economy and minimum risk. Any increase in services can only be obtained by development of organisation. In theory, the first and natural development from truckload business is the acquisition of a store, and, in practice it is believed that a sufficient number of storage societies have developed in this way for the point to be of more than academic interest. More generally, however, the existence of a society in Group B is due to original selection rather than to evolution.

Of the 79 societies in this group, 54 deal in requisites only, and 25 in requisites and produce (*see* Table IV., pp. 106-7). This is the predominantly Welsh group, containing, as it does, 34 Welsh societies handling requisites only, and 12 handling requisites and produce, a total of 46 out of the 75 Welsh societies covered by this Report.

(i) Services.

To the services rendered by truckload societies must be added, in the case of storage societies, the facility for dealing with very small retail orders, the ability to carry sufficient stocks of standard requirements to meet sudden and unexpected demands, and the opportunity of making favourable purchases, irrespective of immediate demand, a feature not without risk and responsibility. A further service is the avoidance of the demurrage charges, which are sometimes incurred by members in the case of truckload societies, when pressure of field work prevents a farmer from clearing his supplies immediately on arrival at rail-head, and yet another that the store enables a society to supply many of the requirements of the family as well as of the farm. There can be no doubt that, even if the needs of large farmers can be met in other ways, a store is a very real benefit to small-scale producers, and is also a means of advertising continually the existence of the society.

As in the case of truckload societies, the manager buys forward to cover what he estimates his members will require. In the case of a small society, the whole of such purchases are in all probability delivered to the store and sold from there; in the larger societies, a fair proportion of sales may consist of truckload orders, sent direct from the suppliers to the farmers' station in order to avoid the cost of taking goods into store.

The range of goods dealt in by storage societies is, in general, somewhat restricted, but is probably wider than in the case of truckload societies. With the exception of a very few societies, which sell feeding stuffs only, the three lines handled by all the

societies in Group B are feeding stuffs, fertilisers and seeds, but it is probable that, of the total turnover of the 79 societies comprising this group, not less than 75 per cent., and perhaps more, is in respect of feeding stuffs. This is a feature of supply societies generally. Other goods handled by different societies include machinery, implements, binder-twine, dips, dairy and poultry utensils and equipment, coal and household requirements such as groceries, flour, hardware, drapery and boots. The supply of household requisites is a feature peculiar to Welsh societies; only two English societies record sales of household requisites and then only on a small scale. Societies complain that they have difficulty in developing a regular trade in machinery and implements, owing to the attitude of manufacturers' agents. Similar complaints are made in connection with other proprietary articles, such as sheep dips, although some societies appear to have secured agencies for proprietary cakes and other articles. It is not unusual also for societies to undertake agency work for insurance companies and for the Co-operative Insurance Society.

The provision of credit is one of the major services rendered by a society to its members; this aspect is intimately bound up with questions of capitalisation and finance and will be referred to later.

As an example of less usual services, it may be mentioned that one society took over a blacksmith's shop, but the venture died from lack of support, while another records that a blacksmith and a saddler have works on its premises and that the arrangement is satisfactory.

The provision of milling facilities is not uncommon. Except that the Carmarthen Farmers possesses a small milling or grinding plant at one of its depôts, this service, as might be expected, is a feature of the dual purpose societies, which thus have the alternatives of marketing, or of milling for resale to members, any grain which they may be offered, while the members themselves not infrequently employ their society's mill for grinding their own corn. Nine of the 25 dual-purpose societies in this group own or rent milling or grinding plant.

The final service which may be rendered by a storage society is assistance in marketing members' produce. While only two of the 20 truckload societies handle produce, 25 of the 79 storage societies are dual-purpose, even though in some cases the produce dealings are limited to small quantities of grain. In this connection, it should be pointed out that there is considerable difficulty in the way of arriving at any reliable estimate of the trade of purchase societies, in general, in the marketing of grain, seeds and fodder. These commodities are, in some cases, requisites purchased by farmers for feed and seed, and, in others, crops grown and sold by farmers. Some societies import these commodities from other areas as requisites, others export them as produce,

others import and export, while there is a considerable internal trade between members within societies. Nearly all the 25 dual-purpose societies in Group B buy grain from their members either for resale or for milling, some sell it on commission for their members. For instance, the Wharfedale Farmers' Trading Association generally buys grain outright and grinds the larger part of it, but also sells small quantities on commission on the Leeds and other markets.

Nearly half these 25 societies are reported to handle potatoes, but there are few references either to seeds or to fodder. Trade in the latter commodity is probably internal. Only one society, the Ledbury Co-operative Association, handled whole-milk and cheese, and this branch was discontinued in 1924. Four societies, all in England, undertake the marketing of wool on behalf of members, and at least one other contemplates doing so. Butter is bought by three societies, poultry or eggs by six; three societies trade in fruit and vegetables and three in livestock.

The more uncommon features are provided by the Frampton and District Growers, which sells 90 per cent. of its egg-turnover, and 80 per cent. of its fruit by auction, by the Worcester Farmers, which holds fruit and vegetable sales both at Worcester and at Upton-on-Severn, and by the Bucks, Berks and Oxon Farmers which maintains a slaughter-house and butcher's shop.

This trading is probably of service both to the societies and to their members, but, with certain exceptions, it can hardly be described as co-operative marketing. The point is, however, of general application and will be discussed later (*see* page 94). It may be observed, however, that members are not under contract to supply their society with all or any proportion of their produce. Again, little, if anything, is attempted in the way of grading produce. One society graded its members' wool two years ago, but has since discontinued the practice; another sells consignments of fruit and vegetables as received from the producer and has "no definite system of grading," yet another bulks pigs for sale but sells eggs ungraded. Payment is usually made by cheque or on contra account at market prices, subject to a charge for expenses in the case of auction or commission sales.

Four societies have been selected for brief description, as illustrating the types of undertaking of which Group B is comprised. Although all four are considerably above the average in size of turnover they are, nevertheless, representative of the methods of business common to the group.

(ii) **Examples of Four Storage Societies.**

- (a) Hebden Bridge and District Farmers' Association.
- (b) Carmarthen Farmers' Co-operative Society.
- (c) Furness and South Cumberland Supply Society.
- (d) North Cardigan Farmers' Co-operative Society.

(a) **HEBDEN BRIDGE AND DISTRICT FARMERS.**

This society, founded in 1912, illustrates the possibilities of the small society which limits its activities to the co-operative purchase of requirements for members who live within reach of a central depôt from which they fetch supplies with their own transport.

The district in which the society operates extends to six miles or so round Hebden Bridge in the West Riding of Yorkshire. The society started in encouraging circumstances, with considerable support from the non-farming as well as the farming element in the district. Nearly half of its original shareholders were not themselves engaged in farming. The society has gradually extended its position among local farmers, of whom it is reckoned by the society that about sixty per cent. have become members, and now supplies the greater part of the agricultural requisites sold in the area.

The members are, for the most part, either small dairy farmers, renting farms of an average size of twenty to twenty-five acres, and supplying milk and dairy produce to the neighbouring industrial districts, or sheep farmers running sheep on the surrounding moors. There are also a number of poultry farmers. The district is hilly and many of its roads are quite unsuited to motor traffic. It is, for this reason, considered to be a more economical and convenient arrangement for members to fetch their own supplies than for the society to undertake delivery. The fact that so many of the members send or come daily to Hebden Bridge in the ordinary course of their dairying business makes this arrangement less troublesome than would generally be the case in a district with different farming characteristics.

History and Methods.—The society has always shown a moderately steady growth, but appears to have been handicapped, for some time, by the fact that buying was carried out by the committee. This system, at one time common in agricultural co-operative societies but now fortunately rare, was found to be unsatisfactory. The committee were not sufficiently in touch with the actual requirements of the members, and repeatedly made losses through buying supplies which appeared cheap but were not readily saleable. The capital of the society was low and an adequate reserve fund had not then been accumulated. In the last few years, the society's financial position has much improved, in spite of the fact that membership has not shown a considerable increase. The financial improvement may be attributed to good buying, based on cash payments to suppliers, to low costs of administration and to prudent accumulation of reserves.

The expenses of the society are slight, since the staff is restricted to the secretary-manager, and assistant secretary and a warehouse boy. Part of a warehouse in the station yard at Hebden Bridge is rented from the railway company and provides accommodation suited to the business. All purchases are received by rail. Trade is mainly in feeding stuffs and fertilisers, the society being well placed for buying either from Hull or Liverpool. A few seeds are sold on order only. No machinery is dealt in and the society has no repair dépôt. The committee meets weekly.

Financial.—The policy of the society appears to have been to give its members an immediate price advantage rather than to follow the market and return surplus funds in the form of a periodical bonus. Its balance sheets show, therefore, on the whole, a rather low average of profit. Because of this policy and the large proportion of the local trade which it commands, the society has probably exercised a greater effect on local prices than is usual when societies follow the alternative plan. Further, the aim of the committee has for some years been to build up a reserve fund of £3,000 to supplement the share capital which, by itself, would be insufficient to finance the society's trade. Hence the members during these years have only received interest on their share capital at 5 per cent., any remaining surplus funds being applied to reserve. The figures of the society are as follows:—

Year.	Member-ship.	Capital.	Turnover.	Net Profits.	Reserves and accumulated Profit.
		£	£	£	£
1912	- 63	63	2,227	6	6
1913	- 63	74	6,057	73	71
1914	- 90	104	7,548	105	172
1915	- 115	147	9,454	198	370
1916	- 127	160	13,144	551	889
1917	- 169	224	23,398	83	829
1918	- 195	781	19,793	72	886
1919	- 189	790	20,356	311	1,172
1920	- 200	862	27,017	127*	993
1921	- 198	846	21,620	146	1,098
1922	- 202	858	22,038	791	1,840
1923	- 201	845	23,488	774	2,532
1924	- 203	875	25,540	743	3,195

* Loss.

It will be observed that the desired reserve of £3,000 has now been reached. A bonus-reserve fund has therefore been started to which it is proposed to add future profits with a view to distribution among the members in the usual way. Other items of interest in the balance sheets are (a) the low figure for sundry debtors, the society's terms being cash in fourteen days, and

(b) the strong cash position, which is reflected in the fact that trade creditors stand at an unusually low figure.

It may be of interest to note that although the sales of the society do not show any large increase in value in recent years, tonnage has mounted steadily. Thus the weight of goods sold in 1921 was 1,600 tons, while in 1924 it had risen to 2,277 tons.

The society seems to be firmly established.

(b) CARMARTHEN FARMERS' CO-OPERATIVE SOCIETY.

The Carmarthen Farmers' Co-operative Society, registered in 1903, was one of the earliest societies founded in Wales having for their object the co-operative purchase of agricultural requirements; throughout its history, it has been one of the most successful. Its formation was directly due to the report of a deputation from the West Wales County Councils which visited Ireland in August, 1902 and strongly urged the importance of establishing "agricultural societies," i.e., agricultural supply societies, in the Welsh counties. "Whether or not" the report stated, "there may exist a difference of opinion respecting the adaptability of co-operative creameries to the Welsh counties, the advantages attending the establishment of agricultural societies cannot fail to strike the most reactionary farmer." The seed sown by the report fell on fertile ground. While the society experienced the usual difficulties in its early years, the enthusiasm of its pioneers enabled it to make good from the start; it has had 22 years of uninterrupted success, and now claims over 2,100 members and a turnover of nearly £200,000.

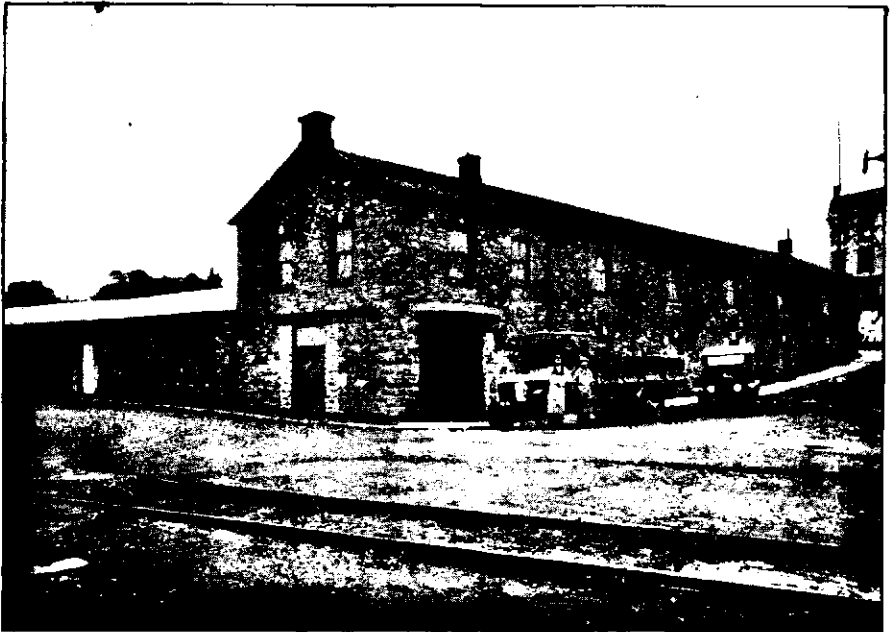
Area.—The society operates over an area of about 416 square miles from Manordilo to Llanddowror, a distance of 26 miles from east to west, with Kidwelly and Trelech—16 miles apart—as the southern and northern limits. There is not much arable cultivation, the district being mainly given up to dairying. Farms are in general small, 50 to 60 acres being a general average. At least half the members are said to buy the whole of their requirements from the society.

Methods.—The society has throughout confined its operations to bulk purchase and storage, members fetching goods with their own transport. It does not undertake the sale of produce. The society has frequently found it necessary to enlarge its premises. These now consist of the Quay Stores and the Parade Stores at Carmarthen, and depôts opened at St. Clears, in 1906, Llandilo in 1910, Llandilo Bridge in 1923, and Kidwelly in 1924. A further depôt at Nantgaredig is contemplated. The society is managed by an executive committee of 18, of which six retire annually. Each district is represented on this committee, which meets monthly, but does not interfere with actual trading. There is also a permanent advisory board of seven, consisting of past chairmen of the society. The society has the services of an honorary secretary, while the staff consists of the

[To face page 32.]



CARMARTHEN FARMERS' CO-OPERATIVE SOCIETY: QUAY STORES.



CARMARTHEN FARMERS' CO-OPERATIVE SOCIETY: PARADE STORES.

manager and 28 employees, some of whom have been with the society almost since it was founded. The society does not employ travellers and does not advertise—except for occasional advertisements in local papers—nor does it canvass. Its representatives do, however, sometimes attend markets within its area at centres where the society has no depôts. The society has a small mill at St. Clears but the bulk of the meals which it supplies are bought ready-milled. All goods, as a rule, go direct by rail to the depôts; the society owns a motor-lorry for station work to supplement hired haulage which is mainly required in connection with its Carmarthen stores. Payment for goods has to be made within 14 days of the end of the month in which the goods were purchased. These are the terms of payment generally adopted by societies in Wales and, in the case of the Carmarthen Society, they are regularly observed. Very few non-members are supplied. It has been the society's policy for many years to sell at or near market price, giving back surpluses to members by way of dividends in cash or shares.

Financial.—Each member must hold at least four 5s. shares. When the society commenced to trade in October 1903, its total capital was £80, subscribed by 85 members. After six months of trading, membership had increased to two hundred and thirty and capital to £198. During this period, a profit of £86 had been made. This was carried to a reserve fund, a procedure which was followed in dealing with profits for the next four years in order to supplement the insufficient capital at the society's disposal. In addition, the executive committee gave their guarantee to the bank for £1,000. By 1908, when the turnover had reached £40,000, and undistributed profits since the commencement of the society stood at £2,203, it was resolved that a dividend of 2d. in the £ should be given retrospectively on the total purchases made. There were at that time 739 members. From 1908 to 1914, dividends were regularly paid, varying from 2d. to 5d. in the £. During the war years, though the society continued to make profits—it has never made a loss in any year of its existence—its resources were conserved, no distribution being made to members. Indeed, for a time, a conservative policy was followed so rigidly that no new members were admitted. The figures of the society from the year of formation are shown in the following table :—

Year.	Member-ship.	Capital.	Sales.	Profits.	Reserves.
		£	£	£	£
1904	- 251	212	5,910	116	116
1905	- 311	265	11,095	247	363
1906	- 356	303	17,599	647	764
1907	- 598	468	27,476	1,192	1,956
1908	- 739	559	40,781	957	2,933
1909	- 806	603	52,786	1,238	3,497
1910	- 979	728	58,210	1,266	4,277

Year.	Member-ship.	Capital.	Sales.	Profits.	Reserves.
		£	£	£	£
1911	1,140	839	75,487	2,518	6,278
1912	1,273	971	88,659	1,379	6,646
1913	1,349	1,048	91,890	1,826	7,689
1914	1,419	1,122	100,821	2,040	9,272
1915	1,460	1,164	125,374	1,764	10,904
1916	1,566	1,273	150,502	5,939	17,039
1917	1,620	1,327	159,922	2,804	21,298
1918	1,620	1,327	108,548	1,885	23,401
1919	1,692	1,401	158,829	4,820	28,464
1920	1,813	1,522	226,933	5,704	30,553
1921	1,911	24,910	199,547	4,426	8,918
1922	1,974	24,977	153,056	4,939	11,634
1923	2,039	25,051	160,436	4,725	11,860
1924	2,180	25,203	190,568	5,011	8,211

The Table shows that the society has been even more successful in the difficult post-war period. In 1920, the reserves having then reached £30,000, it was resolved "that £20,000 be allocated in bonus and dividend shares to the members according to the amount of purchases made since they first joined the society." Some totals may prove of interest. From 1903 to 1923, inclusive, the turnover of the society has amounted to £2,013,871, and it is recorded that for the whole of the period bad debts have only amounted to £150, an almost incredibly low figure and a striking proof of the good management and loyal support which the society has always enjoyed. Profits during the same period were over £50,000 while over £21,000 had been paid in cash by way of interest and dividends and, in addition, over £23,000 in bonus shares has been distributed among the members.

It is perhaps unnecessary to comment on the balance sheet of a successful society which has become so well established, but as may be expected it reveals a remarkably strong position. The society's progress has no doubt been largely due to the sound and consistent financial policy of building up reserves which are not only an insurance against bad times but make for elasticity in business and enable the society to purchase at the most favourable moments and on the lowest terms.

The financial results, satisfactory though they are, by no means tell the whole of the story and should not be allowed to obscure the general service which the society has rendered to the district by the sound conduct of its business. Its history is a history of hard work by both committee and staff and of unswerving loyalty on the part of members. Its progress has been an inspiration to many other societies in Wales.

(c) **THE FURNESS AND SOUTH CUMBERLAND SUPPLY SOCIETY.**

This prosperous society was formed in 1880, in the early days of agricultural co-operation. It was, in fact, started as a direct

result of the success of the Aspatria Society which, formed in 1870, was the first agricultural co-operative society to be registered under the Industrial and Provident Societies Act. A friend of the manager of Aspatria coming to live in the Broughton district persuaded the farmers to form the society with the express object of procuring more reliable supplies of fertilisers, &c., which, at that time, many years before the passing of the Fertilisers and Feeding Stuffs Act, were not sold under declaration. An initial capital of £1,800 was subscribed and the society's headquarters were established at Broughton-in-Furness where they have remained ever since, though the operations of the society now cover a far wider area than the immediate district of Broughton. The early history of the society is not now of especial interest, but one feature of its policy during the first thirty years of its existence, is sufficiently uncommon to deserve notice. It appears that an early and definite decision was taken to issue no further shares so that soon after the start no fresh members were admitted unless they succeeded in purchasing shares from existing members. As the society also traded with non-members, it became liable for income-tax under Schedules C and D (*see* Section 24 of the Industrial and Provident Societies Act, 1893) and paid this tax for many years, in fact up to 1915, when the policy of the society was changed and new members were admitted. It is stated that the policy of refusing to admit new share capital proved unsound, as further capital could, with advantage, have been employed in the business. It suggested an unprogressive outlook and became a bar to progress. A reversal of the policy in 1915 produced immediate results.

Area and Trade.—The Society covers the whole of the Furness district of Lancashire from Cark-in-Cartmell westward, and includes a considerable part of Cumberland in its trading area. Its immediate neighbours to the south-east are the Lunesdale Society, with headquarters at Lancaster, and to the north-west, the West Cumberland Society, with headquarters at Whitehaven. The district which the society covers is varied, a considerable proportion being extremely hilly and mainly devoted to sheep farming. There is, however, a dairying district in the south where the farms, on an average, range from 100 to 120 acres and a feeding district in which the farms are rather smaller. Both these districts are large buyers of feeding stuffs. The society has two depôts, one at Barrow, established in 1911, and one at Ulverston opened in 1921, in addition to three freehold warehouses which it owns at Broughton. The Barrow depôt has milling facilities, but these are mainly used as a stand-by since the greater part of the meals supplied by the society are bought ready-milled. The society supplies all agricultural requirements, such as feeding-stuffs, seeds, manures, sheep-dips and binder-twine. Having no repair department, it has only a limited trade in agricultural machinery and implements. Its price policy is to sell at or near market rates. Produce is not at present handled

except that members' grain is occasionally bought; this trade, however, only amounted to £250 in 1923 and to about the same in 1924.

Transport.—The society is fortunate in being able to get sea-borne goods landed within its area at Barrow. From there, goods are either railed direct to members' stations or fetched by the members' own transport from one or other of the society's depôts. It is stated that about one-quarter of the goods supplied are railed to members' stations and three-quarters are fetched by members from the depôts. The society has no transport of its own. It appears that one reason for this is the hilly character of much of its area, which makes motor transport expensive and often, where roads are bad, unsuitable. The arrangement by which farmers fetch their requirements from the depôts at their convenience seems to give satisfaction. It is probable that the society will develop by starting new depôts in outlying districts, as opportunity occurs, rather than by itself undertaking delivery.

Committee and Staff.—An old-established and successful society is, in general, more likely to leave the manager a free hand in the conduct of the business than a new undertaking, which has still to establish itself. This is the case here. The duties of the committee are:—(1) to direct the general policy of the society; (2) to buy and sell land or buildings on behalf of the society, to open new departments, or sanction new ventures; (3) to direct all capital and other expenditure; (4) to appoint officers and fix their remuneration. The committee takes no part in the buying or selling of goods or produce. It is generally guided by the auditors as to the amounts to be placed to reserve, and the amounts to be paid in dividends, though these two items are finally decided by the annual general meeting of members. The committee meets about six times a year. The present manager has been with the society, except for a short interval, since 1915; its membership, capital, and turnover have shown a steady increase since that date. He also acts as secretary to the society. The society has three travellers and twelve employees in all.

Financial.—In the last ten years the society's business has been on the up-grade. Membership has considerably increased and there has been a steady accretion of capital to meet an increasing turnover. Since 1920, it has been able to put considerable sums to reserve so that its recent balance-sheets have indicated a strong position. Its credit terms are payment within one month; the accounts show that these terms are fairly well observed though not so strictly as in the case of some societies. The society has for some years paid interest on share capital at $6\frac{1}{2}$ per cent. and has distributed an annual bonus of $6d.$ in the £ on members' purchases. The sums distributed in this way for 1924 would represent 20 per cent. on the society's capital. It is

estimated that about 1/5th of the society's trade is with non-members who are not entitled to share in bonuses. The figures of the society from 1914 to 1924 are as follows :—

Year	Member-ship.	Capital.	Turnover.	Net Profits.	Reserves.
		£	£	£	£
1914 - -	345	1,860	14,561	691	623
1915 - -	345	1,860	16,903	1,104	1,089
1916 - -	349	1,995	25,494	1,212	1,450
1917 - -	384	2,849	37,697	1,587	1,587
1918 - -	396	3,175	34,109	733	778
1919 - -	409	3,774	57,053	1,172	1,184
1920 - -	457	5,755	64,936	1,509	1,574
1921 - -	488	7,273	62,450	1,622	1,804
1922 - -	513	8,413	53,903	1,671	1,864
1923 - -	525	8,597	55,413	2,263	2,075
1924 - -	541	9,293	64,880	2,176	3,500

It may be noted that it has been the practice of this society for many years to permit members who, because they have given up farming, or are leaving the district, or for any other good reason, no longer require to trade with the society, to withdraw their share capital. In the case of an old society, such withdrawals are relatively more numerous than with newly-formed societies. It will be seen, however, that in spite of these withdrawals the membership and capital of the society has continued to increase.

(d) THE NORTH CARDIGANSHIRE FARMERS' CO-OPERATIVE SOCIETY.

The North Cardiganshire Farmers' Co-operative Society, which has its registered office at Aberystwyth, is one of the newer societies in Wales, having been formed in 1920. It is still a small society, but it belongs to a type which is common in Wales and the success that has so far attended its operations is in no way exceptional. The area in which it works extends for some 12 miles round Aberystwyth; the 306 farmers who make up its present membership represent a high proportion of the farmers in the area. As is usual in Wales, the members are, in general, more appreciative of their society and probably more loyal to it than is the case throughout the greater part of England. At the same time, farms are smaller in Wales and "high" farming which involves, as a rule, heavy buying of feeding stuffs and fertilisers is less common, so that the turnover per member of the successful Welsh society is usually lower than that of the successful English society. The turnover per member of the North Cardiganshire Farmers, for 1924, was £48 per member,

which is only slightly lower than the average of most Welsh societies.

Method of Operation.—In addition to its warehouse and offices at Aberystwyth, the society has a small depôt at Llandre, at present open for two days in the week. The society does not deliver to members' premises and most of the members fetch their goods in the usual way. Sometimes they have their orders railed to their own station and pay the extra cost of carriage. The society does not trade with non-members. The staff of the society consists of the manager and two assistants. There is an unusually large committee of 24, which meets monthly. As is usual in Wales, the attendances of the committee for the previous year are detailed in the annual report. The society has no milling facilities and no repair-depôt for machinery. Its price policy is to sell at or near market price. It is favourably situated in being able to bring some of its requirements by sea into the port of Aberystwyth. An analysis of the turnover for 1924 shows that out of a total turnover of £14,753, £7,959 was in respect of feeding stuffs, £2,168 of fertilisers, £1,322 of seeds, £326 of implements and £2,978 of other sales, including members' produce. Trade in produce is at present small, and is mainly in members' eggs and butter. The sales in 1924 of these commodities were eggs £121, butter £107. When opportunity occurs, the society also sells its members' potatoes, the natural market being the industrial towns in South Wales.

Financial.—The society was started at a difficult period, but seems to have quickly reached a profit-earning condition. Its membership and capital have shown an annual increase; its turnover in tonnage has also steadily grown. Profits have been normal, as the society sells at market prices and returns a bonus at the end of the year. The bonus for 1923 was 3*d.* in the £; for 1924 a bonus of 6*d.* has been paid. It has also built up a reserve which, with its subscribed capital and an occasional overdraft, is considered by the society to be sufficient to provide adequate finance for the present turnover. The full figures are as follows :—

Year.	Member-ship.	Capital.	Turnover.	Net Profit.	Reserves and Accumulated Profits.
		£	£	£	£
1920 - -	130	1,043	2,711	*118	—
1921 - -	194	1,208	12,961	704	762
1922 - -	259	1,431	11,874	812	1,284
1923 - -	296	1,496	13,559	507	1,350
1924 - -	305	1,528	14,753	519	1,653

* Loss.

The committee of the society has recently decided not to permit any new member to take up more than twenty £1 shares. Such a limitation of individual share holding below the statutory limit is unusual. The decision was made in order to avoid over-capitalisation, but it is rare for an agricultural co-operative society to be over-capitalised, if only because its business is usually capable of development in a number of directions. The society's credit terms, which are cash in one month, appear to be well observed, the item "accounts due from members" in the last four balance sheets ranging from 5 per cent. to 7½ per cent. of the turnover in each trading year.

The society has not been in existence long enough to demonstrate its possibilities of expansion. The district is remote from large markets and better arrangements for the sale of its produce would probably be welcomed. It appears to command the confidence of the majority of the farmers in the area, and has acquired a reputation for the quality both of its goods and service.

(iii) Business Aspects of Storage Societies.

Capitalisation and Finance.—That this is the group most representative of the small society is shown by the turnover of the societies in it:—

Turnover.	No. of Societies.
£	
160,000	1
60,000-90,000	2
45,000-60,000	3
30,000-45,000	2
20,000-30,000	9
15,000-20,000	3
10,000-15,000	6
7,000-10,000	9
4,000- 7,000	24
2,000- 4,000	13
Under 2,000	7

The 20 societies with turnover exceeding £15,000 include 16 dual-purpose societies.

The capital requirements of certain of the smaller of these storage societies, which may only rent a shed in the railway goodsyard and hold the minimum of stocks, are little more than those of truckload societies. There is, however, considerable scope for the employment of capital as societies develop in size and prosperity.

Table II shows that the average capitalisation per member of the 79 storage societies is £14.2 (as compared with £8.2 in the case of the brokerage societies) made up as follows :—

	£
Share Capital - - - - -	8.9
Loans and Mortgages - - - - -	0.7
Bank Overdrafts - - - - -	2.2
Reserves and Undistributed Profits - - - - -	2.4

Other liabilities, such as "sundry creditors," are not included in this figure. The assets, which these liabilities represent, include per member :—

	£
Land and Buildings - - - - -	2.4
Plant and Furniture - - - - -	0.6
Stocks - - - - -	3.2
Cash - - - - -	1.5
Debtors - - - - -	8.2

Table II. also shows that, if the 13 English dual-purpose societies be excluded, the share capital per member is under £5. These 13 societies, however, have the very high share-capitalisation of £22 per member, absorbed mainly by the credit taken by members and, in a less degree, by an average accumulated loss of £2.6 per member. At least 15 societies in the group are known to have a substantial margin of uncalled capital and in all probability the number is much greater. This information is, however, not usually given either in the annual balance sheet or in the statutory return to the Chief Registrar of Friendly Societies.

As will be seen, the average amount raised by loans and mortgages is only £0.7 per member over the whole group, 18 societies showing these items in their balance sheets. Bank overdrafts average £2.2 per member, and have been obtained by 39 societies, though, in some cases, this item is clearly a temporary overdraft, and, as such, should perhaps not properly be regarded as part of the society's capitalisation.

The extent to which accumulated profits have been used to finance societies varies greatly, the average per member over the whole group being £2.4. But whereas two societies are each employing in their business unappropriated profits to the extent of £39 per member (in addition, in one case, to capitalised profits equal to £9 per member) and at least five others to the extent of from £15-£24 per member, the average so employed per member of the whole group is reduced to the figure quoted above by the fact that for various reasons some twelve societies, in 1923, showed accumulated losses, which, in the case of three societies, amounted to £29, £22 and £13 per member respectively.

The soundness of the system and the efficiency of the management concerned which enabled a prosperous co-operative business,

starting from small beginnings, to be financed largely out of profits* is hardly likely to be questioned, but it may, at first sight, seem surprising that a society of a comparatively simple type, dealing in requisites only, should have found it necessary to appropriate a sum of £39 per head out of profits for purposes of ordinary capitalisation. This question, however, is intimately bound up with that of credit. The two societies mentioned above which are employing in their business unappropriated profits amounting to £39 per member may be taken as examples of the policy of withholding distributable profits either wholly or mainly, of expanding the business by means of profits and of employing part of the accumulated funds in the service of credit to members. One of these two societies, the Llanidloes Farmers' Co-operative Association, operating within a radius of seven miles and with a membership of 78, but with nearer 200 customers, was financed as follows at the end of 1923 :—

—	Total.	Per Member.
	£	£
Share Capital	252	3·2
Reserves and Unappropriated Profits	3,023	38·8
Sundry Creditors	51	0·7
Total Liabilities	3,326	42·7

The assets of the society include :—

—	Total.	Per Member.
	£	£
Buildings and Plant	176	2·3
Stocks	245	3·1
Cash	484	6·2
Investments	200	2·6
Debtors	2,221	28·5
Total Assets	3,326	42·7

Thus out of liabilities amounting to £42·7 a head, £28·5 is employed in giving credit, but, owing to the conservative policy of the society, this is done without hindering the management from taking full advantage of any cash discounts that may be obtainable. The giving of credit in such a case is a legitimate service rendered by the society, even if it may sometimes be

* In the industrial movement, most of the capital has been accumulated from dividends that have either been compulsorily appropriated to complete contributions to share capital or have been voluntarily left on loan. In the agricultural movement, the second course is not uncommon among purchase societies, while the first might be developed with advantage.

at the expense of those members, if any, who prefer to be prompt in the settlement of their accounts. Moreover, the society, in 1923, paid 5 per cent. on its share capital as well as a bonus of 6d. in the £ to members on their purchases.

The other society referred to as an example of the successful results which follow a sound and conservative policy and of the intimate connection between capitalisation and credit, is the Crymmych and District Farmers' Association. This society operates within a radius of eight miles and has one subsidiary depôt in addition to its main store at Crymmych Arms. Its membership is 118, but it trades with non-members as well as with members. At the end of 1923, it was financed as follows :—

	Total.	Per Member.
	£	£
Share Capital - - - - -	92	0·8
Share Capital transferred from Profit and Loss Account - - - - -	1,100	9·3
Unappropriated Profits - - - - -	4,618	39·1
Bank Overdraft - - - - -	1,453	12·3
Sundry Creditors - - - - -	2,335	19·8
Total Liabilities - - - - -	9,598	81·3

These are balanced by the following assets :—

	Total.	Per Member.
	£	£
Buildings - - - - -	707	6·0
Stocks - - - - -	871	7·4
Cash - - - - -	217	1·8
Investments - - - - -	147	1·2
Debtors - - - - -	7,656	64·9
Total Assets - - - - -	9,598	81·3

In this case, on a paid-up share capital of only 16 shillings per member, the society has built up a business with a turnover of £221 per member (the turnover per customer is unknown) and can give credit to the extent of £65 per member throughout the year, although, in practice, it may be sometimes at the expense of cash discounts and avoidable bank charges.

The credit problem is admittedly difficult; it is dependent on several factors, both traditional and personal, which cannot always be reconciled with ordinary business procedure, and it is not infrequently handled less adroitly than in the two cases mentioned; indeed many examples can be found of societies giving credit to an extent which, though possibly difficult to avoid, is clearly undesirable as a permanent feature.

By far the greater number of societies in this group nominally allow one month's credit, though some only allow one week and others as much as three months, while four profess to trade on cash terms only. Actually members are allowed, or take, considerably more than the credit authorised. The balance sheets show debtors representing approximately four months' turnover in nine cases, and three months' turnover in a further nine; of these 18 societies, 16 are providing this credit either by incurring bank charges, or by forgoing cash discounts, or, not infrequently, at the cost of both the charge and the loss of benefit.

Relation with Members : Price Policy.—The area covered by those societies in this group which restrict their dealings to agricultural requisites has normally a radius of from 2 to 14 miles, the more usual radius in Wales being from 5 to 8 miles and in England under 5 miles. The dual-purpose societies mostly operate over a larger area, this being covered, in some cases, by the creation of additional depôts, and, in others, by increased use of truckload methods. The Welsh societies report a membership representing a higher percentage of potential members than societies in England.

Only 13 societies (or one-sixth of the total number in the group) claim to deal with members only, and, of these, the turnover per member is as low as £11 and £12 in two cases, and as high as £117 in one, the more frequent figures being between £30 and £40. The average turnover per member throughout the whole group is £62, of the societies handling only requisites £51, and of the dual-purpose societies £73. These figures, however, have no real significance, except for purposes of general comparison with similar figures representative of the other two groups. That such a comparison shows the turnover per member to be relatively low is doubtless due to the following causes :—

(a) That the societies in the group include, among their members, a large proportion of small farmers whose buying power is low;

(b) It follows from (a) that storage societies tend to have a larger membership per square mile, and a larger proportion of actual to potential members. To the extent to which these conditions obtain, sales to non-members will be smaller both in proportion and in actual volume, and the figures showing turnover per member will represent more truly the support per head that members have actually accorded their society;

(c) The larger a society and the larger its turnover, the more weight it is likely to have in the market where it has to buy; conversely, it is only in certain classes of goods that the smaller society can buy much better than those of its members who are farming on an appreciable scale; the result is that a smaller proportion of its members' purchases tend to pass through the smaller society.

The remaining 66 societies deal with non-members also, but the extent varies greatly. In many cases, this outside trading does not amount to more than 5 per cent. or 10 per cent. of the turnover, or even less, and when on this scale is probably intended to be instrumental in attracting new members to a society. In other cases, however, trade with non-members represents a very substantial portion of a society's turnover, up to as much as 75 per cent. in one known case, and the most regular customers are by no means always members. One society reports that, in 1923, nearly 50 per cent. of the members had no dealings with the society, a somewhat surprising figure even after taking into consideration such non-trading shareholders as farmers' wives and possibly other members of farmers' families and also retired farmers. As with supply societies generally, some storage societies give members preference either as to price, or as to quality, or both, while others insist on trade with non-members being on strictly cash terms, but the most general benefit reserved for members is, of course, the bonus on purchases at the end of the year. Where any of these benefits to members obtain it is strange to find societies with regular non-member customers who are willing to forego advantages easily obtainable by the acquisition of a few shares.

The crucial point on which benefit of membership depends is undoubtedly the policy adopted by a society in fixing the prices at which it is prepared to sell, and it will be convenient, at this stage, to examine the position from the standpoint of the small society, of which, in the main, Group B is composed. The point, which is admittedly one of general application, will be referred to again in the next chapter with special reference to the large society. As shown on page 24, there are two alternatives* open to a society of any type. The first is to cut prices and to give purchasers the maximum immediate cash advantage. The second is to sell at market prices and to refund any surplus profits to members at the end of the year. When a society deals with members only and on a cash basis, and apart from such questions as relations with competing businesses, it would seem not to matter whether any price advantage were given at the time of purchase or at the end of the year, so long as due provision were made for working capital, bad debts and other possible losses. But the bulk of agricultural co-operative societies do not, and probably cannot, deal with members only and on a cash basis. The first alternative, if followed by the normal type of society which sells to anyone and on credit terms, may perhaps weed out the less efficient competitive merchants, will tend to bring down the general cost of agricultural requirements in the locality and to bring increased turnover by sales to non-members—to whom such a society is a godsend while it lasts—but it will prove much more difficult for such a society to build up a strong, or even a sound, financial position, non-co-operators will benefit

* See also N.F.U. Year Book, 1925, p. 122.

equally with members, while, owing to the difficulty of accurately determining expenses and to the consequential risk of serious trading losses, membership itself may be positively disadvantageous. The reaction of such a policy on what is generally termed "loyalty" is referred to later.

The second alternative, namely, selling at market prices, will, given reasonably efficient management, adequately protect members from any unjustifiable local rise in prices, will enable a society by prudent finance to establish itself and will so confine the major benefits to members that trade with non-members will become a source of profit. It may, of course, be tempered by the occasional offer of good purchases at slightly cut rates. Under the first alternative, membership in and loyalty to a society may well be bad business, under the second, it will undoubtedly be good business.

The following extracts from the reports of the auditor to one of the storage societies indicate both that the foregoing principles are supported by expert accountants and that there are societies which remain to be convinced :—

"Your gross profit amounts to 3·6 per cent. which is too low, as pointed out in our report last year. It will be necessary for you to increase your ratio of profit."

This was in 1923. The society followed the advice with the result that, in 1924, the same auditor reported :—

"The trade account shows a profit, your gross profit being 7·2 per cent. and net expenses 5·2 per cent. This will enable you to wipe out the deficit brought forward from last year, also to provide for share interest as per rule, leaving a small balance to be carried forward."

The majority of the societies of the storage type, and the more successful of them, favour the market-price policy. If, in most cases, they sometimes undercut current prices to a slight extent, in comparatively few cases is this done at the expense of a sound financial position and adequate capitalisation. The tendency, or perhaps the ability, to cut prices slightly but persistently and without undue risk appears to be more marked in Wales than in England.

Management.—The factor of management increases in importance with the complexity of a society's organisation and the magnitude of its trade. The essence of the storage type of society, however, is simplicity of organisation, while, for geographical reasons, the societies are generally small. The more complicated problems of management which affect some of the larger units are exceptional to and not representative of the group as a whole. Reference to such management problems as may require emphasis will, therefore, be made in discussing the management factor in the following chapter.

A few storage societies have no paid staff, save possibly a secretary chosen from the committee who may receive a small

gratuity if his society makes a profit. At least one-third of the whole group employ a single whole-time or part-time man, with a salary ranging from £20 to £200, or with a commission of from 3d. to 9d. in the £ on net sales. The employee of a society, who combines the position of manager, secretary and storeman, can hardly be expected to have either the time or the ability to develop his society's business beyond a somewhat rudimentary stage; neither can a society, content with an annual turnover of £3,000-£8,000, adequately remunerate efficient management. In practice, the majority of societies of this group, and this is particularly true in Wales, are not apparently prepared to pay for expert management, but deliberately elect to retain the responsibility in the hands of a committee, which sometimes attains rather unwieldy proportions. This policy may be suited to the needs of a society of simple type, with restricted services and small turnover, but the limitations inherent in detailed administration by a committee of busy men, frequently lacking unity of counsel, may be expected to emerge as soon as any serious attempt is made at development. That this has been the general experience is suggested by the fact that among those societies, in this group, which handle produce as well as requisites, managers appear to have a freer hand and, consequently, are remunerated on a considerably higher scale than among societies dealing solely in agricultural requirements.

In general, the duties of managers of storage societies, while equally arduous, would not appear to make the same demand on organising ability as in the case of managers who have to arrange a complicated truckload business, though ability to buy well, whether it be provided by committee or by manager, is at least of equal importance for storage as for truckload societies. Secretarial duties are naturally reduced to a minimum, and it is exceptional to find dual control by manager and by secretary. In the few cases in which secretarial duties have been kept separate from managerial, the secretary usually occupies a more or less honorary position.

General.—Storage societies dealing in requisites only have, on the whole, met with a fair measure of quiet success, their simple methods making them comparatively resistant to bad trading periods, although slow to take advantage of prosperous times and rising markets. The one society known to be definitely winding up is doing so not because it has been unsuccessful, but owing to competition from a larger and more successful neighbour.

The dual-purpose societies tend to show a less happy position, no less than four English societies and one Welsh having accumulated rather heavy losses. In the case of two of them, the losses can be attributed directly and definitely to their marketing operations, though in the one case in which the results of the 1924 trading year have been ascertained, the society in question shows a very considerable measure of recovery.

In conclusion, it may be said that the storage society fulfils a useful rôle in the agricultural co-operative movement, and, combining, as it does, the factors of simplicity of administration, low capitalisation, low overhead charges, and suitability for a small retail trade, has achieved considerable popularity in industrial areas and in most districts where holdings are small. But the group statistics in Table II are sufficient indication that it is not the type in which the more striking developments may be expected, but rather that it is a phase through which a society may pass without undue risk and with every opportunity of consolidation.

CHAPTER V.—GROUP C. DELIVERY SOCIETIES.

This is pre-eminently the group of the large-scale unit, but the 94 societies in the group are as little amenable to generalisation as the 20 in Group A and far less so than the 79 in Group B. They have, however, at least one point in common in that they make a feature of delivering a part of their sales to purchasers. The effects of this feature are more widespread and fundamental than might, at first sight, be anticipated. The capital employed is subject to wide variations in individual cases, but the group averages, as shown in Table II, reveal a substantial increase over the figures of the other two groups. Similarly management and other costs assume bigger dimensions and though these are usually accompanied by corresponding increases in turnover, yet this additional business has to be made. It is probably true, also, as will be seen, that the possession of transport is evidence of a go-ahead, if not sometimes of a speculative, tendency. Increased costs may necessitate increased business; this again may lead to investment of capital in warehouses, buildings and plant on an increasingly large scale, and to the holding of bigger stocks. It is not altogether surprising, therefore, to find that, during a period of falling prices, societies in this group show a more frequent tendency to accumulate losses than societies of other types. Yet this tendency to suffer from falling markets ought to be compensated by ability to take advantage of rising prices, and so it has proved.

(i) Services.

Apart from delivery, the general services rendered by societies in Group C do not differ widely from those of the storage group, though they are more accessible to members. The commodities in which they deal are more encyclopædic and societies normally are in a better position to buy well because they buy for a larger area and can afford to pay for better management. About the same proportion have dépôts to serve different localities in the areas in which they trade, but these dépôts can, if necessary, be made to serve wider areas.

It may be of interest to append the following table showing the number of subsidiary dépôts conducted by 55 of the 94 societies in this group in 1923, which is the year to which the statistics in this Report, in general, apply :—

Dual-purpose.

1 society had 15 dépôts.
3 societies had 10 dépôts.
1 society had 9 dépôts.
1 " " 8 "
1 " " 7 "

4	societies had	5	depôts.
3	”	”	4
13	”	”	3
9	”	”	2
11	”	”	1 depôt.

Single-purpose.

1	society had	5	depôts.
1	”	”	4
1	”	”	3
4	societies had	2	depôts.
1	society had	1	depôt.

Three societies only do a considerable trade in machinery and implements. These are the Eastern Counties Farmers' Co-operative Association, the Southern Counties Agricultural Trading Association and the West Surrey Farmers. Many other societies, however, supply a limited amount of agricultural machinery and would undoubtedly develop the business if supplies from manufacturers were more readily obtainable. A certain number of societies have agencies for proprietary articles and for insurance. The credit facilities which societies accord to their members are referred to in a subsequent section.

Delivery.—Included for convenience in the delivery group are societies which only deliver by the local carrier, those which habitually hire transport for the delivery of one quarter, one half or more of the goods they handle, those which own their own transport and employ it to an equally varying extent and those which both own and hire. However, taking the group as a whole it is probably true to say that all the societies deliver at least 10 per cent. of their goods and that this percentage figure ranges upwards to 80 per cent. which is the proportion delivered by the Preston Farmers. There is an important difference between the societies which undertake a small amount of distribution generally for the convenience of some of their outlying members and those which have created an efficient and up-to-date service for the use of all their members. The aim of the latter is to effect savings for members by organised delivery, the theory being that, by owning a motor delivery service, requirements can be delivered, in general, at a lower cost than members would incur in money, time or labour, if they used their own transport or hired transport for the purpose. In any event, the economic advantages must vary in individual cases with the size of the society, the character of the farming and the physiographical features of the area. It is, therefore, significant that, on the whole, it is the larger and more enterprising societies that undertake this function, that auditors of wide experience recommend societies to own their own transport where the necessary conditions obtain and that a number of societies, which already deliver to a greater or less extent, report that the tendency is for their members to make increased use of this service instead

of employing or providing their own haulage. It may be that labour difficulties have accentuated this tendency, but it would appear quite possible that a delivery system, run economically, is inherently cheaper as well as more convenient.

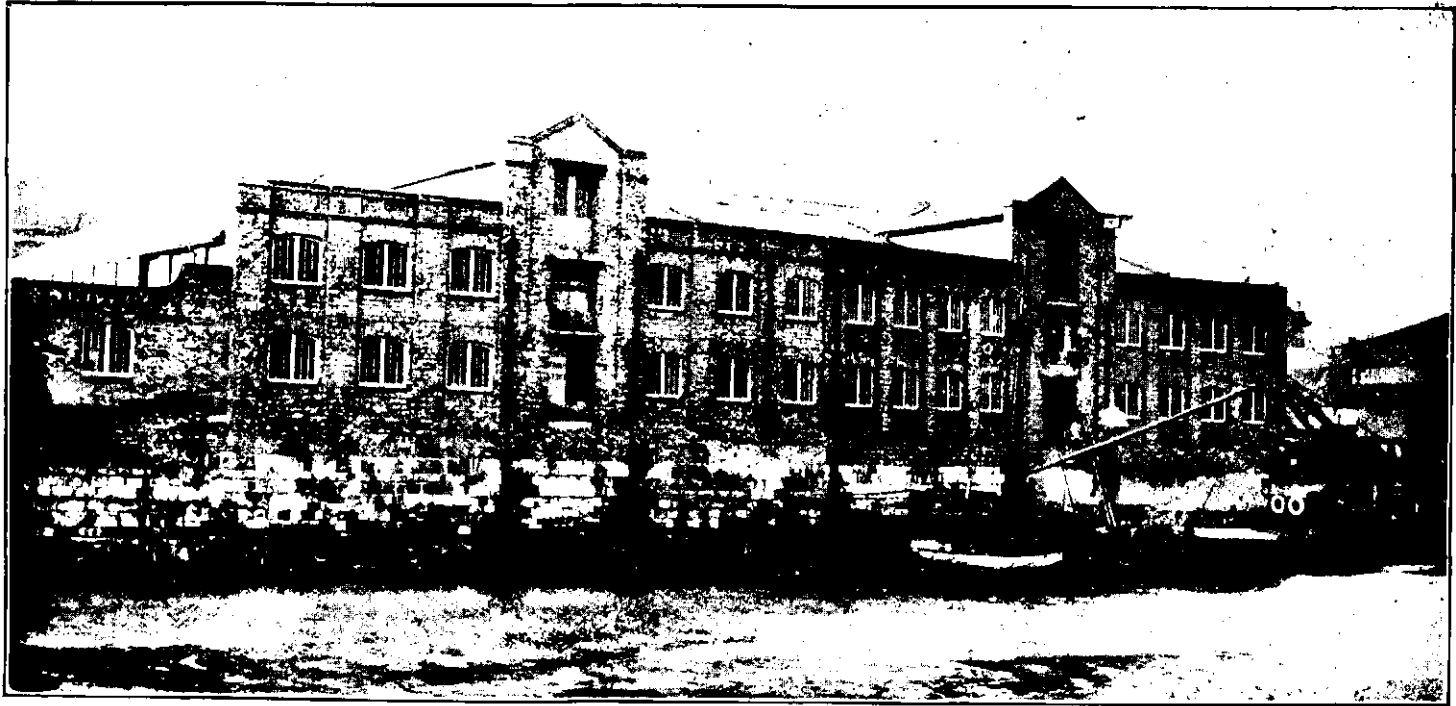
It may be remarked that the question of acquiring transport does not arise until a society has secured trade enough to justify the whole-time use of a lorry, and, as a single lorry cannot, as a rule, be kept on the road without periodical withdrawals for overhaul and repair, complete regularity of delivery without supplementary hiring cannot be assured until a society can afford to employ two or three lorries, one of which can be held in reserve. Even when this is done, economical management will not be secured unless careful attention is paid to arranging full loads during the greater part of the running-time and to securing good mechanical work in the garage. Hence it may, in general, be said that it is only the large society, with its ability to keep a fleet of lorries adequate for all its ordinary needs and to run the necessary repair shop to keep them in good order, which can obtain the maximum economic advantage from a society-owned delivery service; even the large societies which own their motor service generally employ hired transport to some extent as a supplementary convenience.

The primary advantage of relying on hired lorries as and when required is that overhead charges for delivery are reduced to a minimum and the system can be made self-supporting by charging members with the actual cost of delivery (*see also* page 61). The hiring system has the further advantage that, as the need for transport must always be, to some extent, fluctuating, the convenience of being able to expand or contract delivery service from day to day is of real value. One of the largest societies, the Yorkshire Farmers, adheres to the hiring system for this reason, except as regards its dairy depôt. Nine societies in Group C report the use of hired transport.

Marketing.—Out of the 15 English and 7 Welsh single-purpose societies, only 5 have milling facilities, and these are English; none has a repair department. No additional services are recorded by these societies, except that one, the Swaledale Farmers' Association, arranges annual lamb sales in October at which about 3,000 lambs are on the average sold by auction.

The English dual-purpose societies in Group C usually undertake milling. Out of the 57 English societies, 41 have milling facilities and six more are reported as contemplating milling in the near future. Three of the 15 Welsh societies have milling facilities and two more contemplate milling. Eight English societies have repair departments and one carries on a blacksmith's shop. One Welsh society has a repair department.

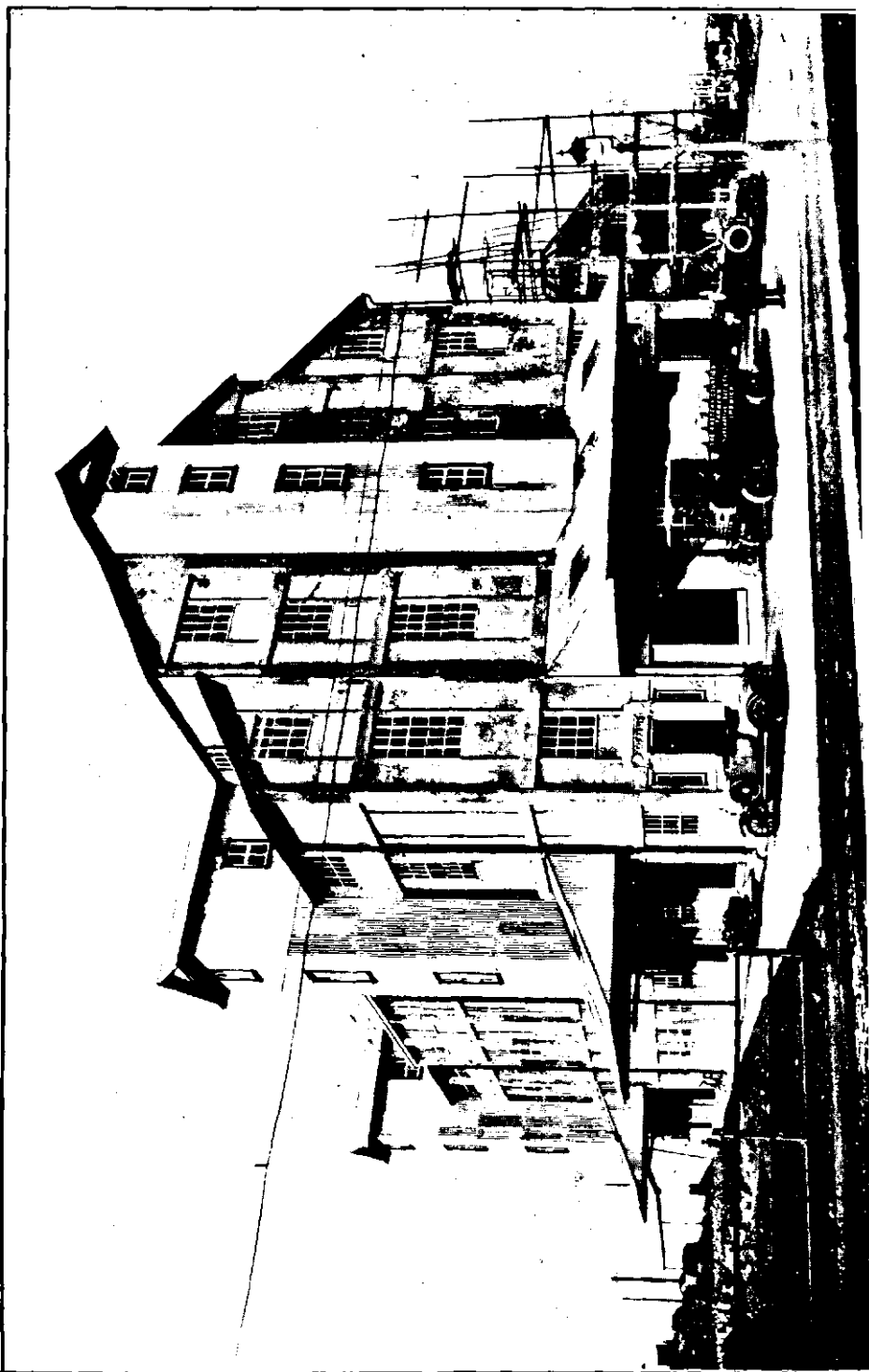
Turning to the character of the produce handled, the following returns are given for English dual-purpose societies in this group:—handling cereals 42 (cereals only 7), potatoes 7, fodder 14, wool 12, livestock 8, eggs 8, butter and dairy produce 6, milk 4, and



YORKSHIRE FARMERS : UNLOADING A CARGO OF CAKE.

[To face page 50.

To face page 51.]



fruit 4. Of the Welsh dual-purpose societies, 3 handle cereals only, 8 handle cereals, potatoes, fodder, butter and eggs, one society handles milk and dairy products, and one society, the Clynderwen Farmers, conducts a butter factory. Three of the English dual-purpose societies own slaughterhouses and three own auction marts, while one holds fat stock sales. The Eastern Counties Farmers' Co-operative Association, in addition to its slaughterhouse business and livestock department, has a seeds department. This department, in addition to supplying many other co-operative societies, has a large export trade in seeds. The Chepstow Society in Monmouthshire and the Maelor Society in Flintshire each own a bakery and shop. The South Hereford Society has two retail shops, for the disposal of produce, in Ross and one in Monmouth. The Barnsley Society and the South Devon Farmers each have a retail shop, mainly for the disposal of eggs and dairy produce.

The sale of non-perishable produce such as grain, potatoes, fodder, &c., works in well with the ordinary business of an agricultural requisite society, although it is, in general, the large societies which have developed the sale of these and other kinds of produce. Such a large society as the Carmarthen Farmers in Group B which handles requisites only is unusual. But whereas the trade in non-perishables is an integral part of the business of the agricultural merchant and, therefore, of the agricultural supply society, the handling of perishable produce by a farmers' purchase society raises wider issues (*see page 94*).

Buying Service.—The position of societies as wholesale buyers of feeding stuffs and fertilisers for resale to their members may be briefly reviewed, having regard to the supreme importance of this service. The difference between societies in this respect arises from a number of considerations of which the size of the society is the most important, for which reason the subject has been reserved for discussion at this stage. On the question of size, it is a commonplace that, other things being equal—and the group classification may be ignored for the purpose—bigger buying means, as a rule, cheaper buying, if only because it makes possible the employment of a skilled and experienced buyer whose knowledge of markets is an incalculable asset. Such societies frequently pass on to their members the benefit of an intelligent anticipation of market movements and save them considerable sums by advising them to buy before an expected rise takes place. Although the large scale society possesses obvious advantages in the matter of buying and related services, there are many societies with moderate turnovers whose managers are well able to hold their own in their districts as regards the price at which supplies are generally bought.

Then again, some societies are better situated than others to obtain supplies owing to their proximity to ports. Easy access to the large importing markets confers an advantage over societies less favourably situated. A small inland society is

clearly handicapped if its business is insufficient to permit its manager to attend these markets in person.

Buying is usually for future delivery, and may assume four different forms, namely :—

- (a) buying, backed by membership contracts ;
- (b) buying, not under contract with members, but on the basis of a close estimate of their requirements for a few months or a season ;
- (c) semi-speculative buying which arises when a society, in order to obtain substantial price rebates, buys a larger quantity of a commodity than it normally requires and relies on being able to dispose of any surplus promptly to merchants and others ;
- (d) speculative forward buying, which means buying for a contemplated rise and buying larger quantities than the members of the society require, the aim being to re-sell at a profit when the rise takes place.

Buying under contract with members, as in (a), is comparatively rare in this country, although a number of societies in Group A operate on the basis of an ascertained demand. An instance of this latter has been given in the description of Nursery Trades (*see* p. 16). With societies as a whole (b) is the normal procedure, while (c) is believed to be fairly common, and, if prudently carried out, need not involve serious risk. Speculative forward buying, as in (d), is practised by a few societies only. Even in the hands of experts, it is risky business though capable of bringing in large profits ; it is certainly not a normal function of a farmers' co-operative supply association.

Selling Service.—The ordinary procedure which the bulk of societies adopt to get their goods into the hands of their members is sufficiently well known. Few societies do much advertising, beyond circularising their members from time to time and making occasional use of the advertisement columns of the local press. Even price-lists are sparingly used, since prices fluctuate rapidly at times, and there is always the danger that a printed price can be readily under-cut, while members may merely use it as a bargaining instrument with local merchants. The bulk of the societies, therefore, largely rely on the sales which their manager or their salesmen can effect by attending markets, or, it may be, by occasional calls at members' farms. This system is, in fact, forced on the majority of the larger societies, which cover wide areas, since it is their chief means of keeping in regular touch with their members, although a certain mail-order business is carried on. In their methods of selling agricultural requirements, these societies do not differ from the agricultural merchant.

Certain supply societies in Groups B and C depart in two directions from this more generally accepted selling policy, and the societies concerned would each probably claim that their system is

more specifically co-operative than the method usually adopted by societies generally. On the one hand, some societies, including many Welsh, work on the basis that co-operative undertakings should be able to do without the selling organisation required by ordinary commercial firms and that the avoidance of selling costs which such an arrangement implies is one of the savings which co-operation should effect. There seems to be little doubt that, given the right locality and a determination on the part of the members to co-operate, the idea is not impracticable. Societies so situated are able to secure a good proportion of their members' trade merely by ensuring that supplies are offered at a reasonable price and are available at convenient depôts. It may be observed that the societies holding this view belong, in the main, to Group B, but the point has been reserved for reference here in order to bring out, by contrast, the methods adopted, in the other extreme, by some of the most progressive and successful societies in Group C. These take precisely the opposite point of view, and consider that a selling organisation is not merely necessary to a co-operative society, but is a service which is advantageous to the society's members and should be developed to the utmost—in fact, that, so far from societies avoiding selling expenses, they should endeavour to give a better selling service than the merchant. This conception has led to an interesting variation in method, which was first systematized by the Preston Farmers, and can be readily understood from a description of the way in which it is worked by that society.

The Preston Farmers covers an area of about 13 miles radius with a detached area in the Nelson and Colne district. It has 10 depôts, each of which may be regarded as a miniature co-operative society, though all accounting, clerical work and buying are done from the central office. The depôt managers—each depôt, as a rule, has a branch manager and five assistants—call on every member of the society within the area served by their depôts once a fortnight. They are provided with a car or motorcycle for this purpose, and may make as many as 30 to 40 calls in a day. The convenience to the members is obvious. They can rely on being visited at definite times by a representative of the society, to whom they can give a list of their requirements for the following fortnight and from whom they can learn the price and quality of the supplies which the society has on offer. The effect of the system, and of the general good management of the society, is that there is probably no other district of the same extent in England where the percentage of agricultural requirements bought from the local co-operative society is so high. Within its comparatively circumscribed area, the Preston Farmers had a trade in requisites alone of £377,839 in 1923.

One further comment may be made. Of the two systems just described, it does not appear that either is more definitely co-operative than the other. Even if all the farmers of a district were resolved to purchase all their supplies from their co-operative

society, under contract or otherwise, the question would still remain whether they preferred so far as possible to avoid selling costs, or whether they were prepared to pay for the additional service. It may be noted that, whereas in the simpler plan it is possible, as a rule, to establish and maintain a depôt provided a turnover of £5,000 or so is secured, or less if a part-time depôt manager is employed, under the latter system it is estimated that a much higher turnover is required, possibly from £20,000 to £25,000, if the additional overhead charges attributable to organised selling are to be economically carried. The latter figure, however, includes the costs arising from an efficient delivery service.

Group C, as has been shown, contains societies which have launched out into many unusual ventures, some of which are of great interest and show considerable possibilities. Furthermore, certain of the societies are of outstanding size; the Eastern Counties Farmers' Co-operative Association had, in 1923, a turnover of £878,000, and in 1924 of over £1,000,000, while the Preston Farmers, Staffordshire Farmers and Southern Counties Agricultural Trading Association each had, in the same year, a turnover exceeding £400,000. In selecting the following four societies for description, however, consideration has been given not to societies showing these exceptional features (many of which have on numerous occasions been described in other publications), but to those that seemed to be meeting the more usual problems confronting societies of their type by methods which, though differing in detail, are representative of the sounder practices obtaining in this very heterogeneous group.

(ii) Four Examples of Delivery Societies.

- (a) Halifax Farmers' Trading Association.
- (b) Northamptonshire Farmers.
- (c) South Devon Farmers.
- (d) Eifionydd Farmers' Co-operative Association.

(a) HALIFAX FARMERS' TRADING ASSOCIATION.

This society, formed in 1915, arose out of an earlier organisation, the Halifax Flour Society, which, in the opinion of the farmers of the neighbourhood, was tending to subordinate agricultural to industrial interests.

The farmers of the district are principally dairymen, generally disposing of their milk through retail rounds, and working their small farms of from 20 to 30 acres either single-handed or with one hired man. The society covers an area of five miles round

Halifax, and is an interesting example of the success which can be attained by a well-managed requisite society in a farming district of this somewhat special character.

Its turnover for the first year was £15,000. The progress of the society has, however, been rapid, and it has twice been necessary to change into larger premises. Its main premises are a large building which it owns in Portland Street, Halifax, where it has milling facilities; it also rents part of a warehouse at the railway station. It has had the same manager throughout. The manager was himself a farmer in the district until 1916, and, in addition to his work for the society, acts as secretary and treasurer of the local branch of the National Farmers' Union.

Description of the Business.—The business of the society is practically confined to supplying agricultural requirements to its members. Its sales include grain, meals, cakes, fertilisers, roots, hay and sometimes implements. The society occasionally buys some of its members' produce, such as oats, but such purchases are infrequent. Oats or other grain bought in this way are usually ground for resale to members. There is only one other grinding mill in Halifax, hence, in this respect, the society is in a strong position. The transport at its disposal consists of a horse and dray, used for bringing goods from the station to the principal warehouses, and a Ford van for delivering goods to members. Hired transport is also sometimes used for this latter purpose. At one time it was the society's practice to have a warehouse-price and a delivery-price for its supplies, these being the same for all members irrespective of the distances of their farms from Halifax. It was afterwards found more satisfactory to charge a varying price for delivery according to distance, and this is now done. About one-third of the society's total sales represent goods delivered. The fact that so many of the members send milk daily into the town enables them to fetch the greater part of their purchases.

Committee and Staff.—There is a president and a committee of 12, who are responsible for the policy of the society. The committee meets six or eight times in the year only, all details of trading being left entirely to the manager, who also acts as secretary. Including the manager and one traveller, the staff numbers nine.

Financial Results.—The financial results of the society have been satisfactory, and have enabled the committee not only to pay interest at the rate of $7\frac{1}{2}$ per cent. on share capital and dividends of 4d. in the £1 on members' purchases in each year since the society started, but also to build up substantial reserve funds. Until recent years, it had been the practice to carry to the accumulated profits account all surpluses after payment of interest and dividend, even though a reserve account, as such, was opened in 1918. Since 1922, a proportion of profits has been

allocated to reserve account in the ordinary way. The figures of the society since 1915 are as follows :—

Year.	Member-ship.	Paid up Capital. (£1 shares 10s. paid).	Reserve.	Accu- mulated Profits.	Turnover.
		£	£	£	£
1916	67	127	Nil	600	14,900
1917	115	187	Nil	1,442	29,094
1918	150	217	227	2,211	30,751
1919	183	310	227	3,262	38,902
1920	189	550	227	5,358	39,658
1921	197	796	227	5,452	30,494
1922	230	840	227	6,499	33,569
1923	287	888	627	6,773	41,755
1924	326	908	900	8,412	45,417

At the end of the 1924 trading year it is understood that the directors recommended that a further £900 should be carried to reserve from the accumulated profits account, making the reserve £1,800. It may be observed that, in 1920, the society borrowed £1,380 from the Halifax Equitable Building Society in order to purchase its present premises. This sum has now been repaid. Shares in the Agricultural Wholesale Society (£564 14s. 6d.) were written off in 1923. Fourteen days is the usual period allowed to members for payment although in some cases monthly credit is given. The balance sheets show that, in general, the members of this society pay more promptly than is the case in most other societies. A study of the accounts shows that some part of the general financial success attained is due to the fact that the society has always taken full advantage of cash-discounts and has drawn bank-interest in each year. This is a remarkable achievement for an undertaking with a paid-up share capital of under £3 per member.

Relations with Members.—The trade of the society is mainly with members, trade with non-members being about 10 per cent. of the total. It would appear that the members appreciate the services which the society renders and support it loyally. At one time no attempt was made to sustain the members' interest by canvass or other forms of advertisement, but increasing competition on the part of private traders and other co-operative societies has led the committee to appoint a traveller. A considerable increase in membership during the last year or two may, perhaps, be attributed to this change of policy. At the same time, it should be noted that the general aim of the society is rather to provide the best service possible for all farmer-members within the society's present radius than to aim at expansion.

General.—The success of the society is undoubtedly due to capable and prudent management, which includes good buying,

the principle of adhering to market prices in selling and sound finance. It would appear that there is nothing in the practice of this society which could not be readily copied by any society working in a similar district.

(b) NORTHAMPTONSHIRE FARMERS.

This society, formed in 1919, may be regarded as typical, in many ways, of a number of relatively large-scale societies which have been established during the last twenty-five years in most of the principal farming districts. The impulse to form the Northamptonshire Farmers can be traced to the propaganda campaign of the Agricultural Organisation Society. This campaign was not, however, launched in Northamptonshire until the support of many leading farmers in the county had been secured, and plans for the formation of a new society had been fully discussed and matured with them. The scheme was then put before the farmers of the county at a series of meetings, with the result that, unlike many societies, the Northamptonshire Farmers was adequately capitalised at the start and has, in fact, never found itself hampered by lack of financial resources. The society at the outset secured the services of its present manager, who had previously managed, with success, a society in East Anglia.

Buildings.—The offices of the society are at 14, Guildhall Road, Northampton; in addition, the society has a warehouse rented from the railway company in Bridge Street, Northampton, and owns a hay shed, built on the adjacent land, which is also the property of the railway company. At Daventry the society owns a freehold warehouse with a small grist mill; a new shed has recently been built for this depôt. At Oundle, the society owns a warehouse which is also built on the railway company's land.

Description of Business.—The society is prepared to supply any agricultural requirements, though the bulk of its business is in feeding-stuffs, fertilisers and seeds. It does only a limited trade in machinery. As it does not act as agent for any agricultural machinery manufacturers, and has no repair shops for service after sale, it prefers as a rule to recommend its members to try outside firms for requirements in this direction.

It is estimated that out of a total trade of £106,000 in 1924, approximately two-thirds, or £60,000, consisted of goods delivered in bulk or truckloads to the members' stations from which they were collected under the members' own arrangements. This trade is found to be the most remunerative to the society. At the Northampton depôt, where an annual trade of £20,000 is done, about a quarter of the goods sold are delivered by the society's horse lorry, the remainder being fetched by the members. At Daventry, where a delivery round was taken over when the business was bought, a trade of £20,000 is done: half of the sales being delivered to members. Oundle is a smaller depôt with a turnover of £3,000, all the purchases being fetched by customers. The society owns a heavy lorry and a light Ford lorry. They

are frequently used to bring produce in on return journeys. Members' produce purchased in 1923 totalled £17,757 of which £13,500 was grain and £4,257 eggs. For 1924, the comparative totals were £22,550, £17,500 and £5,050. The grain is purchased for re-sale to millers, maltsters and others. The Co-operative Wholesale Society is a large buyer of the society's eggs. A few pigs are also purchased from time to time and resold.

Financial.—The financial results shown by the society have been uniformly good: Its original membership was 400, its paid-up capital £15,323 (in £1 shares on which 10s. was paid), and it had a turnover of £76,561 in its first full year (1920). It will be remembered that the following year (1921) was an exceptionally bad one for the trade and heavy losses were sustained both by private firms and by co-operative societies. It is a proof of sound management that in this year of falling values the society increased its sales in money value to £86,678 and was able to show a net profit of £1,751, after meeting all liabilities, depreciation, &c. In this year, its membership increased to 451; it also secured, on favourable terms, existing merchants' businesses at Northampton and Daventry. A further warehouse was opened at Oundle in 1922.

The figures of the society for 1920–1924 are as follows :—

Year.	Member- ship.	Paid up Share Capital.	General Reserve.	Turnover.	Net Profit.
		£	£	£	£
1920 - -	400	15,333	Nil	76,560	1,445
1921 . .	451	16,210	672	86,679	1,751
1922 . .	473	18,292	1,418	104,544	1,761
1923 . .	490	18,575	1,948	102,200	1,329
1924 . .	496	18,550	2,020	106,361	2,073

The society holds £5,000 in 5 per cent. War Loan (par value) and bank overdrafts do not appear on any of its balance sheets. The society has throughout paid interest on its share capital, the permanent rate of which was reduced in 1923 from 6 per cent. to 5 per cent. In addition, bonuses of 3d. and 4d. in the £ were paid to members in 1923 and 1924 respectively on their trade with the society.

Rules—Special Features.—Two features of the society's rules may be noted :—

- (1) The minimum holding for membership is 25 £1 shares, 10s. paid. While this rule had a good effect in securing adequate capitalisation of the society in its early days, it may be that the comparatively high figure has some effect in preventing fresh members joining. It must otherwise be considered remarkable that when the society has proved its value and made such satisfactory financial

progress, the increase in membership in the last few years has been so comparatively slow.

(2) The rules provide that bonus when declared shall be paid only on accounts settled within 28 days, *i.e.*, by the 15th day of the month following that in which a purchase was made.* The figures show that a considerable proportion of the turnover has not qualified for bonus in the last two years, but as the average credit taken by members as disclosed by the balance sheet is under two months it must be assumed that much of this non-qualifying trade is with non-members.

Committee and Staff.—The committee consists of 12 members who meet monthly. Each district in the county is represented. The committee does not interfere with the conduct of the trading, but has a complete balance sheet for the previous quarter placed before it every three months; this entails stock-taking four times a year. The committee decides all questions of policy and makes itself responsible for all capital expenditure. The society has a staff of ten. At the outset there was a secretary as well as a manager, but the manager now holds both offices. He also acts as the society's principal traveller in the usual way. Counting the manager and the sub-managers of the depôts, the society has four travellers who visit seven or eight markets weekly. The manager also attends Mark Lane every Monday.

General.—It may be said, in general, that the society, besides being capably run on the buying and selling sides, is also managed as economically as circumstances permit, but it is considered by the management, that some of the expenses now necessarily incurred on travellers would be saved if members regarded the society more as a proprietary asset and less as an ordinary merchanting business.

As with other societies covering a wide area, the Northamptonshire Farmers has not as yet secured even a majority of farmers as members. Its members represent not more than 20 per cent. of the farmers in the county. About 20 per cent. of the society's trade is with non-members. These facts suggest that the society may still expand considerably, but, while ready to extend its services to meet new demands, it prefers a steady, if unsensational, growth on lines which have proved to be successful.

(c) SOUTH DEVON FARMERS.

The South Devon Farmers was formed in 1917 with headquarters at Newton Abbot. It is a farmers' supply society which may be regarded as well-established and possessing considerable possibilities of expansion. While there are many societies with larger turnovers, and some which, for various reasons, show more consistent financial results, this society presents certain features of interest on account of which it has been selected for description.

* See also procedure of Oxfordshire Farmers, p. 21.

The area which the society covers is roughly the whole coastal area of South Devon, from Dawlish to Plymouth, extending inland to a maximum of 20 miles. In 1924, the society had 396 members, or about 12 per cent. of the farmers within this area, on its books, and was also supplying over 100 non-members. The majority of its members are concentrated round Newton Abbot, Paignton, Kingsbridge and Totnes. In addition to its offices at Newton Abbot, which are rented, the society has freehold premises at Newton Abbot, Paignton and Kingsbridge; the premises at Paignton and Kingsbridge were built by the society. A depôt at Totnes is contemplated. The society's turnover for 1924 was £31,718, of which £28,564 represented sales of agricultural requirements and £3,154 sales of members' produce.

Mode of Operation.—The society is controlled by a committee of 18, divided into three groups to secure equal representation of the Newton Abbot, Totnes and Kingsbridge districts. This committee includes some of the best-known farmers in South Devon. The staff of the society numbers seven, including the manager and an assistant-manager.

In addition to the usual trade in feeding-stuffs, fertilisers, implements, &c., the society, at its Paignton branch, has, for the past 12 months, conducted a retail dairy business, purchasing members' supplies of milk, cream, butter and eggs at market price for re-sale. The society also finds an outlet for its members' butter, eggs and potatoes in large industrial centres, such as London and Plymouth. It regularly disposes of members' corn on a commission basis, and during the past season dealt with about 300 tons of members' cider apples in the same way. The results of this experiment were satisfactory and it is proposed to repeat it. In general, only the produce of members is handled, since it is found that the fact that the society is prepared to market produce is, in itself, an inducement to non-members to join.

In the sale of requirements, no attempt is made to undercut other local suppliers but competition is countered and this tends to keep prices down. The society's credit terms are cash in 14 days, and are well observed by the members who are stated to show loyalty to the society in many other ways.

The society has no milling facilities at present, and no repair depôt; it does a considerable trade both as a buyer and seller with the Co-operative Wholesale Society to which it is affiliated.

Transport.—The society is fortunate in being well served with ports. Its Kingsbridge premises are separated only by a road from a wharf at which ships up to 300 tons can discharge cargo. This is taken advantage of freely, particularly for cargoes of fertilisers from Belgium and cake from Hull. Freight rates by sea from Bristol show considerable savings over rail transport from that port. Larger vessels carrying cargo to the society's

order can discharge at Plymouth, while Teignmouth, which is only 6 miles by rail from Newton Abbott, Brixham and Torquay are also available as circumstances dictate. Fairly good railway communications exist throughout most of the society's area.

As regards delivery service, it is estimated that about a quarter of the society's sales of requirements are railed direct by the suppliers to members' stations; about one half is fetched by members' own transport from the depôts, and the remaining quarter is delivered by motor-transport hired by the society. The society, therefore, quotes prices for goods *ex store* or *ex station*, or delivered to any place within its area. As a rule, lower prices are charged when a buyer is able to place an order for a 4-ton lorry load.

The society does not own any motor vehicles itself, and it would appear that it has developed the use of hired motor-transport to a rather unusual extent. The reasons for this are of some interest, since they show the value of the motor-lorry services now generally available up and down the country. In the case of large societies, it is usually held that when delivery is undertaken the most economical procedure is for the society to own its own transport, but in the case of a medium-sized society, such as the South Devon Farmers, with several depôts and covering a wide area, hired transport, if it is obtainable locally at reasonable rates, would appear to offer considerable advantages. Contracts can be arranged co-operatively by the society on more favourable terms than individual members could themselves secure, while the precise cost of delivery can be added to the price of the articles delivered. Thus the system is, as it were, self-supporting. The society has to bear no extra overhead charges in connection with delivery and runs no risk of losses through under-estimating costs. In the present case, the society even uses hired transport entirely to bring goods from Newton Abbot Station to its store in that place, which is a mile away, and, though it has from time to time considered the question of starting to run lorries of its own, it has up to now come to the conclusion that in its present state of development the above arrangements are more economical.

Finance.—The society's balance sheets do not disclose any large profits, but they are evidence of a steady trade. Bonuses of 2*d.* in the £ were paid in 1918 and 1919; in 1923 the bonus was 2½*d.* and, in 1924, 3*d.* in the £. Interest at 5 per cent. is a first charge on the society's profits. The balance sheets show that the society is economically managed, its overhead expenses, including all management charges, being commendably low. Turnover per member for 1924 stood at £30. As the difficult period of 1920–21 was surmounted without any serious loss, the steady improvement in the society's figures observable since that date may be expected to continue.

The full figures are as follows :—

South Devon Farmers.

Year.	Member- ship.	Capital.	Turnover.	Net Profits.	Reserves and Accu- mulated Profits.
		£	£	£	£
1917 - -	130	685	2,307	8*	—
1918 - -	228	1,176	21,151	449	449
1919 - -	251	2,077	23,173	501	726
1920 - -	313	4,510	31,366	97*	378
1921 - -	329	4,612	34,557	28*	190
1922 - -	351	4,838	27,797	336	402
1923 - -	381	6,572	29,463	575	664
1924 - -	396	7,245	31,718	798	954

* Loss.

It will be observed that the membership of the society has been increasing, but it is, perhaps, surprising that there should be so many farmers in the district who have accounts with the society, but have not yet become members, especially as bonus payments are made to members only.

General.—A point of special interest with regard to this society is that its progress has been achieved in the face of precisely those difficulties which have so frequently proved fatal to farmers' co-operative supply societies. The district which it serves is large and membership is scattered. It has, as yet, been unable to rely on the support which a large turnover affords in securing profitable working. Nevertheless it operates as a general-purpose society and, as has been shown, has even entered retail trade. It is true that the Paignton shop, which has only been in existence some twelve months, has still to prove that it can be a financial success, but, on the whole, the society's varied operations have been successful and it has strengthened its position in the last few years. It may be regarded, therefore, as evidence that a general-purpose society of this size can be operated in a scattered area, given good management and loyal support by the members. The latter have found capital to meet increasing requirements, while the society's declared policy is to give the smallest purchasing member who joins the same rights as the oldest and biggest.

(d) EIFIONYDD FARMERS' CO-OPERATIVE ASSOCIATION.

This undertaking was registered in 1908, and is thus one of the older Welsh societies. Starting with few members and small capital, and experiencing all the usual initial difficulties, its records for the past fourteen years show a steady and continuous growth. It is now one of the largest societies in the Principality,

its turnover being £64,297 in 1924. It is also an example of a general-purpose society since, in addition to its trade in ordinary agricultural requirements, it supplies its members with ironmongery, groceries, etc., and does a considerable business in the disposal of members' produce, mainly eggs.

The society covers an area of approximately 300 square miles in Carnarvonshire. It is a district of small farms, the holdings averaging in general about fifty acres. Dairying and mixed farming predominate. It is considered that the 800 members of the society represent 60 per cent. of the agriculturists in its area. In addition, the society has from fifty to sixty non-members on its books.

Mode of Operation.—The society is one of a number in Wales which have built up their business both by the prudent accumulation of reserves and by the gradual extension of services to outlying districts by means of depôts. This policy is still actively pursued in Wales; it may be of interest to note that the following Welsh societies have erected or acquired depôts during 1923 and 1924:—Whitland, Pembroke, Haverfordwest, Crymmych, Blaenpenal, Aberystwyth, Llanelly, Clynderwen and Carmarthen. The Eifionydd Society, which has five depôts, rebuilt and enlarged its principal warehouse at Pwllheli in 1924 and expects to open further depôts when opportunity arises.

The staff of the society consists of the manager, the secretary and eleven employees. The manager has been with the society for many years, and is given a free hand in the conduct of the business. The society's policy is to adhere to market prices. Goods are delivered direct by rail to depôts, and, if required, to members' premises. The society owns a lorry which is used to assist in this work. Prices are the same at all depôts, delivery being charged and shown extra. Delivery is on the increase. At the present time it is estimated that half the goods sold are delivered by the society and half are fetched by the members. Fertilisers and other bulk purchases are sometimes brought by ship direct to the port of Pwllheli.

The society has its milling done by local mills on commission. It is found to be cheaper to get meals prepared in this way than to buy them in Liverpool or other centres. An oil-engine is being installed in the new premises to enable the society to undertake some milling itself. Little trade is done in machinery or implements, the society having no repair depôt. No advertising is done except that members are circularised once a month or so. No travellers are employed at present.

Sale of Produce.—Out of a total turnover in 1924 of £64,297, sales of eggs and poultry amounted to £9,943 as against £6,800 in 1923. Over 1½ million eggs were handled by the society during 1924. All produce is bought outright from members. At one time, the society paid a differential price for its eggs according to size, but this had to be abandoned. The Co-operative Wholesale Society is a large buyer. Other produce

such as hay, oats, potatoes and to a less extent, wool, are handled when opportunity occurs. The society also arranges inter-trading between members, principally in seed-potatoes, on a 5 per cent. commission basis.

Financial.—The society has shown a profit for many years, and, in addition to 5 per cent. interest on share capital, normally pays a bonus on purchases. This bonus has been allowed by many members to remain on loan to the society at 4 per cent. The additional working capital thus provided amounted in 1924 to over £4,000. A special over-draft of £2,000 was arranged with the bank to finance the building of the new premises, but otherwise the society appears to be sufficiently capitalised to finance all ordinary transactions.

Membership, capital and turnover have grown from year to year, due allowance being made for any temporary rise or fall in values. The full figures since 1914 are as follows:—

Year.	Member-ship.	Capital.	Turnover.	Net Profits.	Reserves.
		£	£	£	£
1914 - -	150	179	7,093	210	211
1915 - -	224	352	17,885	141	352
1916 - -	270	586	18,102	340	678
1917 - -	454	858	35,523	866	1,529
1918 - -	536	1,031	31,625	684	2,202
1919 - -	561	1,173	39,324	1,024	1,162
1920 - -	590	1,196	54,490	1,711	1,045
1921 - -	704	2,713	57,617	2,005	3,196
1922 - -	746	3,033	48,304	2,264	2,456
1923 - -	761	3,443	49,838	1,232	2,174
1924 - -	786	3,634	64,297	2,906	3,115

Bonuses in recent years have been as follows:—

Year.	Amount.	Rate per £.
	£	
1920-21 - - - -	2,229	1s.
1921-22 - - - -	1,513	10d.
1922-23 - - - -	933	6d.
1923-24 - - - -	2,303	1s.

Until recently, the society's terms have been net cash in 14 days, interest being charged after that period, but the item for "accounts outstanding" in the 1924 balance sheet shows that members on the average are taking nearly two month's credit. Monthly accounts are obtainable by arrangement. The committee keeps a close watch on overdue accounts, and is now trying the expedient of offering a 2½ per cent. discount for cash.

The society seems to have established its position in the district as regards the supply of agricultural requirements. Its activities in regard to the sale of produce are comparatively recent.

(iii) Business Aspects of Delivery Societies.

Capitalisation and Finance.—Group C. is not only the largest numerically, but it includes the majority of the bigger societies, the group turnover being £6,885,837 out of a total turnover of £8,203,580 for all the societies covered by this Report. The following statement, based on the 1923 turnover of the societies in this group, illustrates this point:—

Turnover.	No. of Societies with this Turnover.
£	
878,000	1
200,000-500,000	8
100,000-200,000	7
50,000-100,000	14
20,000- 50,000	32
10,000- 20,000	16
Under 10,000	16

Eleven of the societies with turnovers under £10,000, and five of those with turnovers between £10,000 and £20,000, belong to the group of 22 societies handling requisites only. Only one Welsh society in this group (the Clynderwen and District Farmers' Association, with a turnover of £77,000) has reached the £50,000 mark.

Table II shows that the average capitalisation per member from all sources of the 94 societies in Group C. is made up as follows:—

	£ per Member.
Share Capital	21·0
Loans and Mortgages	5·8
Bank Overdrafts	13·0
Reserves and Undistributed Profits	1·1
Making a Total of	40·9

Other liabilities such as "Sundry Creditors" are not included in this total. So far as can be ascertained from the information available, the greater part of the share capital is fully paid; about one-fourth of the total number of societies of this type have share capital on which there is a liability of ten shillings in the pound.

The assets, represented by the above liabilities, include :—

	£ per Member.
Land and Buildings	10.6
Plant and Furniture	3.6
Stock	9.8
Cash	1.1
Debtors	22.8

Certain other assets, such as investments and deficits on profit and loss account, have been omitted, while figures in respect of 10 societies are not available.

The capitalisation from all sources of the 22 societies in Group C., which restrict their dealings to requisites, stands at the still moderate figure of £15.9 per member, as compared with £10.7 per member of the 54 purely requisite societies of Group B. The additional service of delivery does not, therefore, appear in itself to impose an excessively heavy capital burden upon societies handling requisites only. But the more a society enters into the competitive field of general trading, the higher will be its capital requirements, and it is this that raises the total capitalisation of Group C. societies, as a whole, to an average figure of £40.9 per member.

While the average holding of share capital per member of the 22 purely requisite societies is £6.9, it is as high as £34 in the case of one society and as low as 10s. in another. The Welsh societies operate on a very low basis of share capitalisation, the already low figure of £4.6 per member including the sum of £1,260, which one society has capitalised out of profits, representing £0.6 per member over the whole seven societies. Loans and mortgages have been raised by nine English and two Welsh societies and represent £1.9 per member over the whole group. Eight English and four Welsh societies carry bank overdrafts and these average out at £2.7 per member. Reserves and undistributed profits exist to the extent of £4.4 per member, after allowing for losses accumulated by three English societies and one Welsh, which total about £5,500, and represent an average loss of £2.7 per member over the whole 22 societies.

Turning to the dual-purpose societies, Table II. shows the average share capital to be £23, though once again the Welsh societies have the low average of £5.4. Loans and mortgages have been raised by 30 English and four Welsh societies, and average £6.4 per member; bank overdrafts have been secured by 43 English and nine Welsh societies, and average £14.5 per member. Reserves and undistributed profits were not, in 1923, a source of capital to the English dual-purpose societies, 26 of which had accumulated losses, there being a net deficit of over £10,000 and an average loss per head of eight shillings over the whole 57 societies. Although full results are not yet available, it is believed that the effect of the trading in 1924 will have been to wipe out this deficit. The 15 Welsh societies, after taking into account losses recorded by four societies, had, however

accumulated and undistributed profits to the extent of £4.4 per head, in addition to capitalised profits in several cases.

Thus the total capitalisation from all sources is £53.4 per head for the English and £15.6 for the Welsh dual-purpose societies. This difference, as between Welsh and English societies, is so persistent and so marked as to make it desirable to suggest a few contributory causes :—

1. The following analysis of assets indicates clearly that Welsh societies invest not only less capital but also a smaller proportion of their capital in land, buildings and plant, and that they conserve a bigger proportion as working capital.

	72 English. £ Per Member.	22 Welsh. £ Per Member.
Land Buildings	12.6	4.0
Plant and Furniture	4.6	0.3
Stocks	11.5	4.3
Cash	0.9	1.6
Debtors	26.8	9.1
Totals	56.4	19.3

2. Reference has already been made to the less normal ventures (*see page 50*) into which some societies have launched, some of which have required considerable capital outlay. That these are more frequently found in England than in Wales implies a somewhat more cautious outlook among Welsh societies rather than lack of enterprise.

3. The fact that milling plant is owned or rented by 64 per cent. of the English and only 14 per cent. of the Welsh dual-purpose societies of the delivery type is suggestive, and it is possible that the English societies, by including in their membership a bigger proportion of arable farmers, *ipso facto* require higher capitalisation. This is supported to a certain extent by the persistently larger turnover per member shown by English societies.

4. As has been observed previously, the Welsh societies have enrolled a higher percentage of the potential members in their area, and, accordingly, capitalisation per member approximates more closely in their case to capitalisation per customer.

5. Finally, the psychological factor must not be ignored. The instinct to develop slowly and to forego the immediate benefit to secure ultimate success is throughout a marked characteristic among members of Welsh societies. They seem rightly to regard the payment of bonus or share interest as the reward of co-operative achievement rather

than as an incentive to co-operative effort, and so save their societies from the heavy initial capitalisation which the temperament of the English farmer too frequently renders necessary.

The degree in which societies can finance themselves out of profits has an important bearing on capitalisation. In too many cases, societies have disregarded this possibility and have attempted, so to speak, to omit the larval and chrysalid stages of development, as exemplified by the societies in Groups A and B, and to emerge straight from the egg in a state of maturity. The consequence of this may easily be the acquisition of a load of commitments, from which a society may take years to shake free, even if it does not succumb in the process. When once the comparatively safe simplicity of, say, the smaller storage society is abandoned, the increasing difficulties, incidental to general agricultural trading, must be met, and there is bound to be a perpetual struggle to meet unavoidable increases in overhead expenses. It is not suggested that many societies have not met these difficulties successfully—such a suggestion would be contrary to the facts—but it is emphasised that those which have done so have tempered enterprise in management with caution in finance, and have realised that the frittering away of necessary reserves in cash distributions may sometimes be good propaganda but is always contrary to sound business practice.

Once again, it is the Welsh societies that appear, as a whole, to have built up the soundest capital accounts. The results of the English societies are less consistent. Taking the group as a whole, all but two of the societies handling only requisites appear to have weathered the recent depression, and the 1924 trading results indicate a fair measure of prosperity. One of the two less prosperous societies, Marton and District Growers' Association, has now joined forces with the Preston and District Farmers, and the other, the Uxbridge and District Farmers, is in process of voluntary liquidation. Others among the single-purpose societies show deficits in their balance sheets, but have been steadily reducing them during the past few years. The 72 dual-purpose societies, with their bigger commitments, show greater fluctuations in the degree of success or failure revealed by their balance sheets. Within the group are some societies of outstanding prosperity, and others struggling against heavy deficits. No less than 26 English and 4 Welsh societies declared losses, in some cases heavy losses, in their balance sheets at the end of 1923; later accounts of 11 of these 30 societies show that by the end of 1924 this deficit had, however, been wiped off in four cases, and reduced considerably in four others, in spite of the fact that depletion of herds as a result of outbreaks of foot-and-mouth disease in some parts of the country had interfered seriously with the trade of some societies, and that the accounts for that year had also, in many cases, to bear the burden of depreciation in respect of shares in the Agricultural Wholesale

Society. The most striking case is perhaps that of the Southern Counties Agricultural Trading Association, which, having incurred a loss of over £12,500 in 1923, in addition to writing off investments in the Agricultural Wholesale Society to the extent of nearly £11,000, was able to declare a profit on the year's trading of over £3,000 in 1924. The trading results of 43 of the dual-purpose societies in this group are now available for 1924, and show that while the total sales only increased in that year by 7½ per cent., as compared with 1923, the net profits for the 43 societies rose from £17,000 to £70,000.

On the basis of the average percentage of debtors to turnover at the end of the years 1921-22-23, only two of the purely purchase societies appear to give credit in excess of two months' turnover, while the majority enforce the general terms of payment within one month. Similar figures for the dual-purpose societies show that they also have been generally successful in restricting credit within reasonable bounds, only six English and two Welsh societies appearing to allow credit to exceed two months' turnover, while in no case is the average as much as three months' turnover. It will, of course, be realised that, notwithstanding any results as expressed in percentage of debts to turnover, the actual volume of debts from members is considerably higher among societies in Group C than among societies in the other two groups, as the following comparison shows:—

—	Average Turnover per Member. 1923.	Average Debts per Member. 1923.
	£	£
Group A - - - -	71	7·5
Group B - - - -	62	8·2
Group C - - - -	176	22·4

The fact that so many societies have taken up the handling of grain may be attributed in part to the working of the contra account as part of the credit system, but the consequence of this is not to be found in any reduction in the extent of debts outstanding at the end of the year among dual-purpose as contrasted with purely purchase societies. In fact, the evidence tends to show that, in this group at least, rather less credit is given by societies which do not handle produce, possibly because they lack the moral security offered by the prospect of handling their debtor's grain. The point is, however, complicated by other factors. The effect of the contra account may be more visible at certain periods of the year than at the end of it when books are balanced; moreover, the contra account is of most frequent application for dealings in grain, and grain production implies arable farming with greater need of credit. The agricultural merchant and consequently, the agricultural co-operative supply society, are important elements in the credit system of the

countryside, but farmers' societies should endeavour to provide this credit out of accumulated reserves rather than by means of bank overdrafts.

Relations with Members ; Price Policy.—Reference has already been made to the fact that Group C comprises the majority of societies which operate over a wide area, some covering several, or parts of several, counties, while others are delimited by the county boundary. The group also includes units so small that the delivery feature must have been due to choice and not to necessity, and can only be sound business if organised on a very modest scale. On the whole, however, the area of delivery societies is larger than could conveniently and adequately be covered without the aid of road transport, even by those societies which have been most successful in expansion by depôt or truck-load methods. Similarly, the percentage of actual to potential members is, on the whole, below the average of storage societies, although as between societies, the figure is variable, being dependent on many factors in general, and usually none in particular, save only when success or failure have exerted their influence in either direction.

Only six societies (of which four are dual-purpose) claim to deal with members only and, in one of these cases, members are authorised to order goods for non-members, being held directly and personally responsible for the transactions, while in one other case, at least, sales to non-members are sometimes effected for propaganda purposes to induce membership. In view of the pressing need to maintain sales in reasonable proportion to increased expenses, it is remarkable that even this small number have found it possible to practise an abstinence which, in the case of general-trading societies selling at market prices, is of doubtful benefit to members and may exert a hampering influence on managers. It must, however, be admitted that in their turnover per member, which varies between £55 and £275, these six societies are little below others in the group of similar calibre, while, in degree of success, they maintain, with one exception, a higher standard.

The average turnover per member of the whole group is £176, of the purely "requisite" societies £67, and of the dual-purpose societies £192. It is worthy of notice that the average turnover for all the English societies is £219 per member, while the equivalent figure for the Welsh societies is only £59. The causes of this are of the same nature as those which have tended to make the storage type most representative of the Welsh society, and the dual-purpose delivery type the most frequent in England. But the two factors which chiefly account for the relatively high turnover per member of the English societies are the greater extent of arable farming and of trading with non-members. The former of these operates in two ways, first in that the arable farmer's annual expenditure on requisites is high, and secondly that his grain crop is frequently handled by his society, whereas in dairying districts, the greater portion of a farmer's produce

is marketed entirely by himself. The second factor, as has been suggested previously, is in part inherent in the working of a general trading society, but may also be due to a somewhat keener appreciation in Wales of co-operation and what it signifies.

It is impossible to estimate the volume of trade with non-members. Six societies sell very seldom to non-members, a few others do so regularly but to no great extent, one society admits sales to six non-members to every one member, while others are prepared to sell to anybody but give members preferential treatment of some sort or other. The majority, however, seem to make no distinction whatever, at the time of sale, as between members and others, and, in these cases, benefit of membership depends entirely on the ability of a society to make a profit, which again depends on the successful correlation of two things :—

- (a) The ratio of gross profit to sales ;
- (b) The ratio of net expenses to sales.

The first of these is, in reality, merely a definition of the phrase "price policy," and in the delivery group there can be little doubt that it is in the interests of a society to pursue the "market price" as opposed to the "cost plus" policy.* The latter demands an exceedingly accurate estimate of costs and, to be successful, implies that an error will not lead to any serious commitments. The task of estimating accurately and the danger of incurring such commitments, though negligible in the case of certain truckload societies and some of the smaller and simpler storage societies, increase in a more and more rapid ratio with the size and complexity of societies, until a stage is reached when it becomes a practical impossibility as a method of doing business. Thus, even if it were not necessary, in the interests of members as against non-members, for a general trading society, operating on a large scale, to aim not merely at effecting savings but at making a profit, it would be rendered essential by the impossibility of providing against loss, or even disaster, in any other way than by the practice of the best competitive trading methods.

It may be objected that trading with members and non-members is contrary to the ideals of co-operation; but it might equally well be argued that even if at one time that might have been true, ideals cannot be static, they must respond to the processes of evolution in the present as they have in the past. Co-operative purchase and sale can only be justified if they can be subjected to economic tests, and prove themselves at least equally efficient to existing or alternative methods. If this line of thought be accepted, it will be realised that the ideal of the co-operator and the aim of the man of affairs should be identical, namely, the conduct of successful business, and if in the case of a society development be attained, in part, at the expense of non-members, the latter have an obvious and simple remedy. Nor is it probable that the theories of co-operative idealism are

* See pp. 24-25 and 44-45.

of great import to the committees and management of the majority of societies, most of whom appear to have reached similar conclusions in the face, not of academic theory, but of practice.

An examination of the ratio of gross profit to net sales in 1923 of all the delivery societies for which details are available reveals the following results :—

No. of Societies.	Ratio of Gross Profits to Net Sales.	No. of Societies Showing—	
		Net Profit.	Net Loss.
17	Under 6 per cent.	8	9
31	6 per cent. to 10 per cent.	28	3
23	10 per cent. to 13 per cent.	17	6
12	Over 13 per cent.	10	2

A further analysis of this table as regards societies handling requisites only is also enlightening :—

No. of Societies.	Ratio of Gross Profits to Net Sales.	No. of Societies Showing Net Loss.
3	Under 6 per cent.	1
4	6 per cent. to 10 per cent.	None
5	10 per cent. to 13 per cent.	1
8	Over 13 per cent.	1

Although a higher proportion of the dual-purpose than of the single-purpose societies made losses, it is evident that the additional business provided or induced by the handling of produce, enabled them, as a rule, to work on a narrower margin of gross profit over the whole of their trade than was necessary to cover the expenses of the single-purpose societies.

The question of loyalty cannot be dissociated from that of price policy, but it is also closely dependent on that of management. Disloyalty, or that qualified loyalty which is based on a comparison of price lists, may be due to lack of vision, to "penny wisdom" or to other failures on the part of members; it may, at least as frequently, be claimed to be a justifiable caution provoked by lack of confidence in a society's management or even a definite protest against a society's policy. Most generally, disloyalty is due to a lack of realization on the part of members that it is economically sound for them to support their society with regularity. If loyalty to a society were a moral obligation and nothing more, it could possibly be preached more appositely from other pulpits than an official report; experience overseas has, however, proved that co-operative methods, to be applied successfully to agriculture, are more dependent on organised loyalty, expressed

in the form of contractual relations between members and their societies, than on any other factor.

Management.—In view of the fact that Group C. comprises most of the large supply societies in the country and of the special importance of management to the societies concerned, comments on the control and administration of societies generally have been reserved until this stage of the Report.

Farmers' supply societies as, indeed, all agricultural co-operative societies, obviously depend for their success on the same efficiency in management as is essential to the success of business undertakings generally. Farmers, as a rule, are not, however, so familiar with modern accountancy and the principles governing combined trading and advanced business practice as their contemporaries in the towns and cities. Hence, particularly in the early days of co-operation, committees were either unduly dependent for the proper supervision and conduct of the business upon managers and secretaries, or, in the other extreme, attempted to interfere too much. The shortcomings of such committees were accentuated by the fact that, in the early days, societies were frequently unable to secure the services of the farmers most fitted to exercise control. These conditions no longer obtain, since most societies now have some of the leading farmers in the district on their committees, while a better understanding of the business has been acquired by all.

Apart from personnel, the forms and functions of committees vary considerably. In general, there is a tendency for management committees to be too large owing to the natural desire to ensure representation for each district in the society's area. In some cases, large societies have overcome this difficulty by a system of branch committees, the chairmen of such committees acting as district representatives on the central committee. In other cases, the general committee has delegated various functions to sub-committees which report from time to time to the main committee. This method has generally proved unsatisfactory; it is difficult to restrict the activities of a sub-committee within given limits, with the result that unnecessary duplication of effort ensues and there is a lack of continuity and co-ordination in the general policy of the society. Alternatively, if the sub-committees are given little or no executive powers and the general committee does not readily act on their recommendations, the sub-committees are apt to become merely nominal bodies with vague and undetermined responsibilities.

Experience suggests that the large society is best served by a small management committee, with full executive powers, responsible for giving effect to the policy of the society as laid down by the general committee.* This is to follow to some extent the administrative procedure of joint-stock companies, which might well be imitated in other directions. Except in a

* See N.F.U. Year Book, 1925, p. 117.

few instances, the chairmen and members of management committees are not paid for their services and in some cases not compensated for their out-of-pocket expenses. There appears to be no reason why they should not be placed on the same footing as directors of joint-stock companies and remunerated for their services on a reasonable scale.* Payment would be an incentive to service and might attract men not otherwise prepared to serve. It would also place the shareholders in a better position to criticise than is the case where voluntary service is the rule. A strict limitation of numbers would, of course, be necessary.

Executive committees of this nature might also be given a measure of permanence; when a large proportion of a committee is changed annually, management tends to become unduly vested in the society's officials. There can be no objection to a certain number of the executive committee retiring annually—the usual proportion appears to be a third—but the reappointment of men who have proved themselves to be both keen and efficient should be encouraged so as to secure continuity of policy and effective control. It would also appear desirable that executive committees should elect their own chairman. A few men selected for their business capacity and general efficiency to serve as an executive committee are more likely to choose the most suitable chairman than if the choice is left to a general meeting of the members. An efficient chairman does much to ensure successful working, as he can instil confidence into his committee and manager, and furthermore can be depended upon to shoulder the responsibility of advising the manager on matters which require instant decision and cannot always be delayed for reference to the executive committee.

A plan which has sometimes been adopted with success is to allow one or two seats on the executive committee to remain vacant. Power of co-option is given to the committee to fill these vacancies and by this means men of commercial standing and ability or of specialised knowledge have been secured to aid in the direction of affairs.

The qualities required by a manager do not vary so much with the character of a society as with its size. Many of the most competent managers in the country to-day have, however, acquired their experience, for the most part, with the societies they manage, and have built up large and successful businesses from small and unpromising beginnings. Probably, the best school for a prospective manager is a successful society. Two such societies in particular have conferred great benefits on the movement by providing some of its most competent managers. Failing suitable candidates with this training, many societies have obtained excellent managers by appointing young and energetic men with a thorough all-round knowledge of an agricultural merchant's business. The disadvantage of this latter

* The model rules recently prepared by the National Farmers' Union provide for the remuneration of Directors.

method, from the co-operative point of view, appears to be that such managers do not take naturally to collaboration in buying. In such cases, the responsibility for securing closer relationships with other co-operative societies rests with the committees.

The manager of an agricultural society, if he is to be successful, must not merely be competent, but must be liked and trusted by the members. There are few businesses where personality counts for so much. He must also be a keen buyer, since a society's success depends largely on his ability in this respect. Knowledge and experience are necessary if he is to hold his own on the markets. Furthermore, if his society handles produce, he must be a good judge of the commodities concerned. There is no real difficulty in obtaining managers who have a sound training both in the purchase of requirements and in the disposal of such commodities as cereals, potatoes and fodder. It is much harder to secure adequate management for a requisite society if it also handles perishable commodities such as meat, milk or fruit. It should be remarked, in this connection, that there are a number of societies which seem to be almost wholly one-man affairs. For the most part they have been established a long time, and, having attained a certain measure of success, are content to leave matters almost entirely in the manager's hands, a policy which may have unfortunate results unless provision is made for continuity.

Salaries necessarily vary according to the type and size of the society concerned but, in order to compete to advantage with private enterprise, the necessity of paying sufficiently good salaries to attract the right men is obvious. The movement has probably paid more for cheap managers than for dear managers. Payment on the basis of a fixed salary plus commission on turnover or profits is sometimes resorted to. Supplementary payment on a turnover basis is not always advisable, as it stimulates a tendency to increase sales at the expense of reasonable profits. Similarly, payment on profits has, on occasion, resulted in an inclination on the part of a manager to make unduly large profits with consequent loss of trade. The general practice existing among societies, by which, in most cases, 5 per cent. of the annual profits are set aside, by rule, for division as a bonus among the employees is unobjectionable as the amount distributed is relatively small. Committees should remember that managers and other members of the staff who have helped to build up efficient and progressive businesses merit a reasonable increase in their remuneration.

Fundamentally, a committee is responsible to the members of its society for every action taken in the name of the society, by whomsoever it may have been taken. But, unless the committee elects to administer the society itself, as is done in the case of some small societies, some of this responsibility must be delegated. Actually, the province of administration most usually left to the manager includes all matters relating to buying and selling, the appointment and control of staff, the keeping

of the books, and all questions concerning the trading account, subject, as will be shown, to a frequent and systematic check on the financial results. If these latter are satisfactory, too close an enquiry into details of method would seem unnecessary, if not undesirable. On the other hand, all question of policy and of capital expenditure should be decided by the committee, and, if necessary, by the society in general or special meeting. Briefly, it may be said that, just as the trading account is the primary responsibility of the manager, so the balance sheet is the principal responsibility of the committee.

On the subject of the relationship of committees to managers, it may be added that considerable scope for improvement exists in many cases in the matter of the information supplied from time to time to committees by the managerial staff. Committees frequently have no knowledge whether they are making a profit from month to month or otherwise, and their society's position is only revealed to them at the end of a financial year when the society may already, perhaps, have got into deep water. This weakness, of course, usually arises from the adoption of an indifferent system of accountancy. The ascertainment of gross profits (or losses) month by month in each trading department and the apportionment thereto of overhead and administrative charges, is essential in order to determine whether a net profit or loss is being made over the society's trade as a whole. Some societies already adopt this method; many more might adopt it with advantage. Some societies, again, take stock every three months, but the majority are content to make this a half yearly or annual operation.

Finally, reference must be made to the part played by the auditors in the control of societies; acting always in an advisory capacity, their influence is exerted in problems of management no less than in questions of pure finance, and not a few societies owe their present satisfactory position in great part to a wise observance of the advice which their auditors have tendered.

CHAPTER VI—FEDERATION FOR TRADING PURPOSES.

In a recently issued Report on "Co-operation in Foreign Countries" prepared by the Federal Trade Commission of the United States, the statement is made that "wherever agricultural co-operation has developed successfully, local supply societies have federated into central leagues." The attempts that have been made in this country to federate agricultural co-operative societies for trading purposes are described in the recently issued Report on Co-operative Marketing in England and Wales.* These efforts were, however, more directed to the trade in agricultural requirements than to the marketing of produce, and included the formation of a non-trading Advisory Business Department of the Agricultural Organisation Society in 1904, the establishment of a central trading body known as the Agricultural Co-operative Federation in 1905, which operated on a commission basis and was wound up in 1909 owing to lack of support, the attempts at regional federation which followed, and finally the formation of the Farmers' Central Trading Board in 1912 from which the Agricultural Wholesale Society emerged in 1918. This organisation went into liquidation in 1924 after incurring heavy losses. There is now no central trading body owned and controlled by the agricultural co-operative movement as such. It may be inferred, therefore, that either the results of federal action on the lines followed in the past have not, for various reasons, been satisfactory and encouraging to the units federated, or societies are too sceptical of the advantages to be derived from a system of collective bargaining to come together readily for this purpose. Both may be true. There may also be other explanations. Since, however, the problem of federation is continually before the movement and is evidently regarded as an open question by many enterprising members and managers, it may be of advantage to bring together some of the more important considerations which bear on this difficult subject.

Briefly, federation for trading purposes is designed to overcome the difficulty which individual societies may experience in obtaining favourable trade terms, and, further, if and where possible, to obtain rebates on wholesale terms by placing exceptionally large contracts or buying in exceptionally large quantities. Indeed, it is only by some system of bulking orders that the smaller societies can obtain better terms than the larger farmers can themselves obtain from the trade in the ordinary way. Federation enlarges the arena. It may be either regional or country-wide in scope and interest, or it may be a combination of both. That is to say, a number of societies may group themselves together for joint action expressed through one of the grouped organisations, or through a regional body specifically formed for the purpose, or societies, in general, may set up a

* Economic Series No. 1.

central body, or appoint one of their number to act as such for the movement as a whole, to which central body they may affiliate themselves either as individual units or as groups already regionally federated.

There are three main phases or degrees of federal action; these, taken in their order, mark the sequence of events in this country.

There is first, the loose kind of federal action between a group of societies implied by the nominal appointment or formation of an *unincorporated* federal body or representative to act on their behalf, which may or may not engage in trade, and may employ for the purpose the organisation of one of the federated units themselves. Such an organisation, whether regional or central, is in a position to perform certain extra-local services, such as the arranging of quality tests, advertising for tenders, bulking of orders, and the general conduct of negotiations with manufacturers, importers' wholesale suppliers and transport agencies on behalf of adhering societies; it may serve as a medium for the dissemination of market intelligence, assist in the regulation of overlapping, and generally advise its constituents on business practice. According to the nature and scope of its services, its expenses may be met by subscriptions, affiliation fees and/or a commission on transactions negotiated. Loose federations of this kind may prove valuable. There is an instance, for example, of eighteen societies in South Wales which, as far back as 1903, combined to pool orders for basic slag, superphosphate and other requisites. The unregistered federation that resulted, the Welsh Farmers' Federated Co-operative Societies, recorded, as its first transaction, an order for 1,500 to 2,000 tons of basic slag at prices well below the current trade quotations to individual societies. The Advisory Business Department of the Agricultural Organisation Society which was formed in 1904 is a further example. Mention may also be made of the fact that, just prior to the outbreak of war, a few of the larger societies combined to import superphosphate and basic slag from the Continent. The societies concerned sent a representative abroad to negotiate the purchases, the goods were booked to the individual societies, and the only expenses incurred were those of travelling which, in this case, was to Belgium. It is believed that joint-buying, on a limited scale, is still frequently done by a number of societies.

Nevertheless, however useful such action may be, there can be no guarantee that, in trading matters, the constituent societies will necessarily stand by arrangements concluded on their behalf. It will usually be necessary in practice, therefore, to leave them to make their own contracts after terms have been arranged, a course which may rule out the possibility of the best results being obtained. Some societies, too, seem reluctant to appoint one of their number to act as a pooling medium for orders in this way; a federal body is preferred in which they may be

participants. This is said to be due to the apprehension that a society acting on behalf of others might accept rebates at their expense. More probably it may be attributed to the natural dislike of a group of managers to one of their number being, by inference, selected as the keenest buyer.

The second form which federal action may take is the separate incorporation of a body acting, it may be, on the same lines as an unregistered organisation such as that above referred to and remunerated for its services by a commission on transactions, but, as a rule, wider in scope and with the safeguards attaching to trading on a limited liability basis. Contracts for supplies may be made by the constituent societies direct on the terms arranged by the federal body, or the federal body may itself enter into contracts in its own name. Such a body, whether regional or central, will, as a rule, need less capital than a wholesale merchandising and manufacturing agency, and, if backed by trading agreements and other guarantees, may need very little capital at all. Its object would be to work to a narrow margin of expenses in order to pass on the maximum cash advantages to its affiliated societies. As in the case of all federal organisations, its usefulness would depend on the degree of support which it received from the federated units, and if this is expressed in binding agreements, its trade and status will benefit accordingly. The Agricultural Co-operative Federation, formed in 1905, was an example of a central commission agency, but it was never backed by contracts. It failed to retain the interest of the larger societies and found the support of the smaller undertakings insufficient to enable it to command the best terms in the market.

After the winding up of this organisation, the view, for some time, held the field that the country was too large to be covered by a single trade federation. Attempts were accordingly made to develop separately registered regional federations and led to the formation of such trading centres as the South Midlands Agricultural Co-operative Society in 1909, and the amalgamation of three societies in Gloucestershire to form the West Midland Farmers' Association. It is not clear how far these regional societies carried out the federal idea which prompted their formation. It seems unlikely that they ever operated, to any extent, as agencies purchasing on commission for other societies in their districts. It is more probable that trade with other societies was looked on as a source of profit in the ordinary run of business. In some cases, the smaller societies may have become members of the large undertakings in order to participate in membership benefits; where this happened the large society functioned, to a certain extent, as wholesale supplier for the district concerned.

Regional wholesale supply units, of whatever kind, can never be more than partially effective compared with a central wholesale trading body wielding the combined purchasing power of the

movement as a whole. The formation of a central wholesale supply organisation, capitalised by participating member societies and buying and selling and, it may be, manufacturing on its own account is, therefore, the third and most advanced form that federal action may take. The Farmers' Central Trading Board, registered in 1914, and the Agricultural Wholesale Society which emerged from it in 1918 are the examples of central wholesale bodies which the movement has produced in this country, although, in neither case did the ventures receive wholehearted support.

In the absence of a system of contracts between the federal body and its constituent societies, and between these and their farmer members, a central wholesale trading association would require heavy capitalisation while the risks involved in the more speculative lines might be considerable. Capitalisation would be a serious difficulty. Many societies have enough to do to find sufficient capital for their own purposes without committing themselves to the provision of capital in other directions. Moreover, capitalisation must precede service, or, at least, must partly precede and partly accompany it as the scope of the service expands. Some idea of the capital requirements of a central wholesale trading body operating without contracts and trading even on restricted lines may be formed from the fact that the turnover of the Agricultural Wholesale Society for the year ended 31st December, 1919, in the early days of its trading, was nearly £2,000,000. Management is always a difficulty. It needs no demonstration that the management and direction of a large wholesale trading body must be highly efficient, widely experienced, and well remunerated. The wide range of commodities and articles with which such a wholesale body will have to deal in order to meet the varying requirements of affiliated societies is a further practical difficulty of some importance. Moreover, there are many who hold the view that there is no half-way house on the road of wholesale supply; in other words, a central trading body entering wholesale trading must be prepared to import and manufacture on its own account, since it is debatable whether such a body if capitalised to conduct its business on a brokerage basis in many important lines, could give its member societies the advantage in prices which larger societies could themselves obtain direct from trading concerns which are themselves manufacturers or producers. It is for these and other reasons that many agricultural societies have looked and are looking to the firmly-established and heavily-capitalised Co-operative Wholesale Society to fill the rôle of wholesale supplier to the agricultural side of the movement. This is discussed in the next Chapter.

There are two other questions of general application which should be referred to. The first has already been mentioned, namely, that a federal body trading on behalf of its constituents must have some effective guarantee of support if it is fully to achieve its purpose. This should preferably take the form of

agreements definitely securing the trade of the adhering societies, at least in scheduled commodities; similar trading agreements between individual farmers and their societies are a necessary corollary. Only by such assurance of demand will a federal trading body be able to avoid serious speculative risks and a costly selling organisation. It affords a basis for credit and is a tangible security for banking operations. In this respect, the relation of federated societies to their central trading body is the same as that of individual members to their society. There must be no weakness in any link of the chain. The other question is a difficult one, namely, whether federation should proceed on a commodity basis, that is to say, whether there should be a federal trading body for feeding stuffs only, another for fertilisers, and so on, or whether the federal body should be a general wholesale supplier of all the main commodities required for use on the farm. The latter was the course adopted in this country. The Agricultural Wholesale Society, for example, dealt in feeding stuffs, fertilisers, implements, seeds, dairy equipment and other lines. In a sense, one general organisation should be more economical in administration than several bodies trading in one line only, but specialisation has its advocates, who, however, seem to agree that co-operative association for purchase would need to be considerably extended in this country before any such measure of specialisation could be profitably undertaken.

The example of Denmark may be quoted by way of illustration. To take first feeding-stuffs. In Denmark, there are three central associations dealing exclusively in feeding-stuffs (grains and oilcakes). Each central association distributes supplies to its affiliated local associations at current prices, returning surplus earnings at the end of a trading year in proportion to purchases. Local associations receive 30 days' credit from their central body; the members of the local association pay for their goods within this period. What is of particular interest is that the central associations are non-stock; they have no capital, as such, but rely for their credit on the guarantee of each local association which is limited as to amount and supported by the joint liability of the members of each local association concerned. The basis of the arrangement is, however, not only this financial guarantee, but the buying-pledges of the local units. To quote from a Bulletin recently issued by the United States Department of Agriculture: "Each local association is pledged to take its entire supply of feeding-stuffs from the central association for a period of five years. If a local association desires to withdraw its membership, it must give six months' notice before the close of the five-year period, otherwise, the membership is automatically renewed. The individual members under written agreement to the central association are pledged to take their consumption of feeds (excluding home-grown grain) from the local association."*

* Agricultural Co-operation in Denmark (Chris. L. Christensen), U.S. Department of Agriculture, Bulletin No. 1266, 1924.

The Danish handling of the position as regards fertilisers is somewhat similar and is of considerable interest. One central fertiliser-buying association now covers the whole kingdom, and, in 1922, comprised 1,525 local associations with 74,000 members. To quote again from the Bulletin above referred to:—"The contract agreement between the individual members and the central association comprises two features: (1) Each member in the local association must attach his signature to a special form list (by-laws, rules and terms of agreement), whereby he is pledged to buy all commercial fertilisers used on his farm for a 10-year period. This buying-agreement pledge list from each local association is sent to the office of the central association when properly signed by each individual. A fine of 20 per cent. of the trade value is imposed upon the member who violates this buying agreement. Withdrawal may occur at the close of each 10-year period by giving one year's advance notice. In case of withdrawal, members can demand payment of two-thirds of their share of the reserve fund with the central association. (2) The board of directors of each local association must sign a 'guarantee certificate,' the amount of which is equivalent to 0.5 per cent. of the taxed valuation of the farm land belonging to the members in their association. The individuals are jointly and severally liable to the central association for the amount of this guarantee, together with the members' purchasing liabilities to the central association. Aside from this, the local association is not liable for the central association's obligations. The guarantee certificate provides for the central association's necessary bank credit and purchasing liabilities."

As previously stated, federation for trading purposes is still regarded as an open question by many experienced managers and members of co-operative undertakings. There are some, however, who are definitely opposed to the idea. A central wholesale body, in their view, is not infallible, and a society, which through its own manager is in contact with the combined judgment of say, 300 dealers on Mark Lane, may be as well served as if bound by a trading agreement to accept the decisions of the few individuals who may direct the trading activities of the central organisation. They hold, too, that competition is just as wholesome for co-operative societies as it is for ordinary traders, and that it would be a misfortune if, at some future date, farmers' organisations, by federation, converted their position into one of virtual monopoly in the trade in agricultural requirements.

However this may be, the question of federation for trading purposes will no doubt be taken up again in this country. One direction in which many societies feel that joint action will be beneficial is in connection with the trade in implements and machinery; another direction, though for different reasons, is the formation of a central organisation to deal only in particular lines such as, say, linseed and other cattle cakes. It may be,

therefore, that central organisations dealing in one commodity-group or group of articles may be the course which future development may take in this country. Whether such central bodies adopt the more cautious, if more restrictive rôle of agents purchasing on commission or the more expansive, if more risky, rôle of wholesale supply organisations is a matter for careful consideration. The only possible basis is confidence. It would appear, therefore, that until such time as the principles underlying co-operative organisation are better understood among farmers in this country and the agricultural co-operative movement itself can show something like the same degree of cohesion and mutuality as the movement in Denmark and elsewhere, any further ventures in the field of combined trading, apart from intermittent purchases made by groups of societies in certain commodities, are likely to be fraught with danger to the participants.

CHAPTER VII.—THE POSITION OF THE CO-OPERATIVE WHOLESALE SOCIETY.

As has been explained in the previous chapter, many agricultural societies look to the Co-operative Wholesale Society, which is the wholesale trading body of the industrial movement, for some or all of their supplies of agricultural requirements on wholesale terms. As many as 70 per cent. of the societies covered by this Report record purchases from that body. The volume of trade which is passing through this channel appears, too, to be increasing, for while, in 1923, the purchases by agricultural societies from the Co-operative Wholesale Society of such commodities as grain and offals, feeding cakes, fertilisers, seeds, twine and implements amounted to £800,000, the amount exceeded £1,077,000 in the year 1924.*

In a number of European countries the relation between the agricultural co-operative movement and the central wholesale trading body of the consumers' co-operative movement appears to be more intimate than in this country. This is particularly so where agriculturists form the predominant element in the population, and are organised co-operatively on an extensive scale not only for marketing purposes but as consumers of both agricultural and household requisites. In such cases, there can be little or no conflict of interest within the co-operative circle. The position is different, however, in England and Wales. Here, ignoring for the moment those agricultural societies of which the primary object is co-operative marketing,† there are, on the one hand, agricultural co-operative societies with the strictly business objective of cheapening to their members the cost of production by the joint buying of raw materials; these have only here and there, and to a limited extent, concerned themselves with the co-operative purchase of household requisites: on the other hand, there are the co-operative organisations of mainly urban consumers who have combined to secure lower consumption costs by the joint purchase of food and of other essentials of the home. The position, too, is somewhat complicated by the fact that both the Co-operative Wholesale Society and many consumers' societies are also agricultural producers, though on a relatively small scale; in this they have, of course, the same aim as the agricultural supply societies, namely, cheapness of production, but only because of its bearing on the cheapening of consumption costs for their associated members.

The consumers' co-operative movement has over 4½ million members, mostly heads of households, in England and Wales,

* Sales by agricultural societies to the Co-operative Wholesale Society during 1924 amounted to £188,091.

† The intertrading relations between the agricultural and industrial co-operative movements in the sale of produce is dealt with in Chapter XIII. of the Report on Co-operative Marketing in England and Wales (Economic Series, No. 1).

these being enrolled in about 1,200 retail societies which vary in size from the large city society to small village societies of some hundreds of members. For the purpose of wholesale purchasing and manufacture, these retail societies are banded together as shareholding societies in the Co-operative Wholesale Society which they, therefore, own and control. Every society seeking membership of the Co-operative Wholesale Society is required to take up not less than one £5 share for every two members. A merely nominal payment secures membership, a deposit of only 1s. per share being required upon application, although no dividend or interest may be withdrawn by societies in membership until their shares are fully paid up, any dividend or interest earned in the meantime being credited to share account. Each member society obtains a direct influence and voice in the control and management of the affairs of the Co-operative Wholesale Society by virtue of its right of nomination of delegates to represent it at business meetings, and of its participation in the election of directors, of whom there are 32. The voting power of societies on all matters was formerly in proportion to membership and capital; but the rules now provide for one vote in virtue of membership, one vote for the first £10,000 of annual trade, and an additional vote for each £20,000 of trade above the first £10,000. It remains to be observed that the society's general trade is departmentalised for purposes of administration; a special agricultural department exists and is in process of development.

Whilst membership of the Co-operative Wholesale Society is open to any co-operative society whether retail or productive, and although a deposit of 1s. per share is sufficient to secure membership, only a proportion of the agricultural societies which regularly trade with the Co-operative Wholesale Society are actual shareholding members. In 1923, the number was 91. From the brief outline of the constitution of the Co-operative Wholesale Society given above, and though the smallest agricultural society in membership has the same *proportionate* rights as the oldest and largest consumer member, it is obvious that even if all the agricultural societies became members, they could not fairly expect to influence materially the direction of affairs as such influence would be roughly *measured* by the proportion which their purchases bear to the turnover of the Co-operative Wholesale Society as a whole. In 1923, this was less than 1½ per cent. It is because of this difficulty in the way of satisfactory representation that many who have been associated with the development of agricultural co-operation in this country, have, from time to time, opposed any general extension of trading relations between farmers' supply societies and the central wholesale body of the industrial movement. Lord Selborne, for example, at the annual general meeting of the Agricultural Organisation Society in June, 1919, remarked:—"I have said it before and I say it again that our attitude towards the industrial co-operative movement is nothing but friendly and fraternal

in intention, but it would, in my opinion, have been a fatal mistake for this organisation of producers to have put themselves wholly into the hands of an organisation of consumers."

Looking back over the history of agricultural co-operation in this country, a certain uneasiness can always be discerned whenever proposals have been put forward likely to promote the closer association of the agricultural and industrial movements. It was this uneasiness which prompted the essay into the field of wholesale trading which culminated in the establishment of the ill-fated Agricultural Wholesale Society. Not only is representation a difficulty, but bound up with it is the fact that the profits derived by the Co-operative Wholesale Society from its trade with agricultural supply societies are merged with the profits of the society as a whole, and are not segregated for return to agricultural societies in proportion to their individual purchases of agricultural requisites, although, of course, agricultural societies share in the dividend on purchases which is declared over the Society's trade as a whole. For the half year ended December, 1924, this dividend was 2*d.* in the £ to societies in membership, and 1*d.* in the £ to non-member societies. Such merging of gains and losses over the whole scheme of trading is natural and unobjectionable. There is, however, support for the view that the agricultural department of the Society, if it is to cater for the business requirements of farmers in general, should be regarded as a separate entity for all practical purposes; for although it may sometimes be open to farmers' societies to share the same advantages as the retail stores in the trade in household goods, yet the fact has to be faced that agricultural societies have, as a general rule, been formed with the specific object of reducing the costs of production in the business of farming and for no other purpose. Because of its business aspect, the motive which prompted their formation is to be compared with that which has led to large-scale dealing in other industries rather than with that which has inspired association of consumers for the organised distribution of household requirements.

One advantage of wholesale merchandising and production on co-operative lines of a great variety of commodities and goods is, of course, the pooling of risks and results over the whole trading field which the system makes possible, so that, in the long run, membership advantages are fairly evenly shared, and it may very well be that, in the long run, the agricultural department will take more out of the common pool than it contributes. Though this may be true, there remains the apprehension that advantages will, in practice if not in theory, tend disproportionately in that direction which is overwhelmingly represented.

Then again, even if farmers' societies, in general, desired to embark on the sale of household requisites, difficulties would almost certainly be encountered. There are, for example, difficulties in the way of supplying household requirements to

farmers' societies in cases where local retail stores serve the same area, while, conversely, if a local retail store is the agent for the Co-operative Wholesale Society in the sale of farmers' requisites, an agricultural society in the same area cannot be supplied with requisites over the head of the retail store.* These are causes of possible discord which though, no doubt capable of local adjustment, cannot be altogether dissociated from the policy of the main organisation. If this policy be directed solely by the preponderating urban interest, it is conceivable that farmers' societies in membership with the Co-operative Wholesale Society may not always find themselves in agreement with it.

The organisation of the Co-operative Wholesale Society enables it to render a number of important ancillary services to the agricultural movement. Credit is one example. Having regard to the difficulties under which agricultural societies work, particularly in the length of credit required by members, the society has recently decided to modify its usual cash terms by allowing one month's credit from date of invoice on all agricultural supplies, as such. Other services include audit, banking and insurance. The accounts of about 70 farmers' societies are audited by the Co-operative Wholesale Society at the present time. In a few cases, the society has definitely rescued farmers' societies from financial disaster. Should any financial emergency arise in the future, such financial aid might be widely extended. Reference may also be made to the resolution passed at the recent Co-operative Congress supporting a proposal to establish a special agricultural department of the Co-operative Union which, among other functions, will further the development of inter-trading relations between the agricultural and industrial movements.

It would be irrelevant here to discuss the subject more fully in its theoretical aspect, but one further point may be usefully made. The analogy of wholesale supply societies elsewhere shows that success is usually due, in great part, to the close bonds which exist between them and the local co-operative societies which they supply. Such analogies can, of course, be pressed too far. It may be that the rigid trading contracts prevailing in these examples may never occur in this country. If, however, they are necessary to enable the central wholesale body to render the best possible service to its constituents, then the question of central representation is fundamental. For it cannot be supposed that any agricultural society would be content to be contractually bound without effective representation. The necessary confidence would not be forthcoming.

The problem is not new; it has been frequently raised in the past. Doubtless each side has much to learn of the psychology of the other, and it may be unreasonable to expect a large

* See "Farmers and the C.W.S." published by the Co-operative Wholesale Society, 1924.

democratic trading organisation to modify fundamentally its constitutional practice in order to meet the views of a small, if parallel, movement, with which business is, at present, relatively small. It can, however, be held that the objects, if not the practice, of the agricultural department of the Co-operative Wholesale Society must tend to make it a more or less self-contained unit, since it is engaged in the purchase and manufacture of agricultural requirements for producers and producers only. Of all the departments of the Co-operative Wholesale Society, it has least connection with the consumers' retail stores. It is possible, therefore, that if effective representation in the administration of this department is desired by organised farmers and could be arranged, it would go a long way to ensure its more rapid development on lines suggestive of a wholesale trading federation of agricultural societies while not materially affecting the constitutional direction of the Co-operative Wholesale Society as a whole. No doubt the present situation could continue to mutual advantage, but, taking the long view, it can, at least, be said that, in one form or another, the question is one which will call for consideration by both the Co-operative Wholesale Society and by the National Farmers' Union if serious attempts are made to develop the enormous inter-trading possibilities which exist between the two movements; the greater the proportion of trade done by the agricultural societies with the Co-operative Wholesale Society, the more will the question of representation force itself on the attention of both parties.

CHAPTER VIII.—SOME CONCLUDING OBSERVATIONS.

During the period 1901 to 1923 inclusive, no less than 385 societies having for their primary object the co-operative purchase of agricultural requirements were added to the register.* The number of such societies in existence at the present time, as this Report shows, is under 200. Owing to changes that may have taken place in the functions and corporate status of a number of societies subsequent to registration, these figures should not be taken literally, but they may be regarded as a general indication of the course that events have taken. They reveal a high rate of mortality. In general, the causes of failure, so far as they can be determined after the event, appear to have been similar to those which have brought down so many co-operative marketing undertakings.

Frequently societies have been launched without that careful preliminary survey of the trading field and of the capital and other equipment needed for its exploitation, which experience in ordinary business has shown to be essential. Similarly, new branches of activity have too frequently been undertaken without sufficient consideration and forethought. Hence, a cause of failure of many supply societies has been the premature development of a multiplicity of functions, notably on the marketing side, before the necessary financial strength and business experience has been acquired to enable the societies to carry increased trading responsibilities.

Bad management has taken a heavy toll, and this includes not only unsound buying, inefficient salesmanship and wasteful administration, which are managerial defects of a personal character, but also an imprudent price policy for which, in itself, committees of societies must be held responsible. Then again, there is abundant evidence to show that, too frequently, a reluctance to pay adequately for first-class management has led to the usual difficulties arising from inexperience and incompetence.

Many failures can be traced to the adoption of a "cost plus" system of fixing selling prices, that is the system of selling at cost, plus a fair proportion of expenses. The system involves a risky estimate, is calculated to arouse the hostility of the ordinary trader, and puts a discount on membership by conferring preferential advantages on non-member customers. The policy of selling at market prices, on the other hand, enhances the attractiveness of membership by restricting the gains of association to members only. Societies adopting the "cost plus" system should, in their own interest, confine their trade to members only, whereas the "market price" societies have everything to gain

* Details of registrations and removals year by year, from 1901 to 1923 may be found in the Report on Co-operative Marketing of Agricultural Produce, Table III., page 178.

for their members by developing business with non-member clientèle. It may be observed that the advocacy of the market price policy in the case of farmer's supply societies is consistent with the condemnation of the "market price policy" in the case of marketing undertakings.* It should be the aim of both supply and marketing undertakings to reserve in the hands of the society a proportion of the proceeds of each transaction; this is in the ultimate interests of their members, although it must be at the expense of the maximum immediate cash advantage. Selling standard requisites to members at market prices should enable a society to retain a margin for subsequent distribution after costs are known; paying members market prices for their produce may, at times, preclude a marketing society from reserving a similar margin.

A further cause of failure in a number of cases has been lack of adequate working capital. Applications to the Ministry for loans under the scheme of advances to agricultural co-operative undertakings are, in many cases, for more working capital; committees constantly complain to their members of lack of working capital. Sometimes this is due to inadequate capitalisation in the first instance, sometimes to members taking more credit than the society can afford to give, sometimes to past losses; more frequently it is the fault of committees who have failed to exercise a sufficiently close scrutiny on capital expenditure. Nothing can be incurred so easily as capital expenditure, nothing is so difficult to recover. Whatever the cause, the result too frequently is that a society trades from hand to mouth, is compelled to turn to the bank for help and is perpetually handicapped by the burden of unproductive assets and unprofitable bank charges.† If members of committees will realise that their primary duty is to watch and weigh every penny of proposed capital outlay and at all times to maintain an adequate provision of working capital, they will be doing their societies a most valuable service. The Ministry's scheme of advances to co-operative marketing undertakings is only applicable to supply societies in respect of their marketing activities, but, subject to this limitation, it affords a means by which expenditure locked up in fixed assets can be made available for working capital.

The same problem of the shortage of working capital arises out of the disinclination of members to conserve the early profits of a society as working capital through a very human, if not justifiable, reluctance to build up, at their cost, a structure of which others may derive the benefit. Conversely, a difficulty sometimes arises regarding the admission of fresh members to societies that have become well established. Societies in that position commonly have accumulated considerable reserves. They frequently feel that it is unfair that fresh members, who have taken

* See Co-operative Marketing in England and Wales. (Economic Series No. 1.)

† See N.F.U. Year Book, 1925, pp. 121, 122.

no share in building up the society, which has taken perhaps many years of hard work, and is the result of the loyalty and self-denial of the older members, should automatically share in the benefit of these reserves. The exclusion of fresh members is directly contrary to the generally accepted principles of co-operation. No objection, however, can reasonably be taken to making fresh members pay for their footing, either by raising the number of shares which a new member must take up or by insisting that he shall contribute in some way his due proportion to the society's reserves. This expedient has been adopted in certain cases, and whether desirable or not from the practical point of view, is certainly not unco-operative.

Another way of minimising this difficulty is to distribute the accumulated reserves, periodically, in the form of bonus shares or loan-capital among members in proportion to their recorded purchases. By this means, the money remains in the hands of the society for future use and bears interest at the usual rate: but the members receive their deferred profits in the form of shares in the same proportion as they would have received them if an annual distribution had been made. The method by which a "revolving" or "advance" fund is created for a similar purpose in certain marketing organisations in the U.S.A. is explained in Economic Series No. 4,* Chapter VI.

Finally, the tendency of members to regard their societies merely as a convenient price barometer, and to resort to them only when a comparison of price-lists shows that the societies' terms are favourable, has many times been quoted as a cause of failure. At present, the ease with which a society turns over its capital depends on the quality and price of its goods, that is, on good buying, and this is, in practice, a very salutary check on the management. Careless buying is liable to be reflected in decreased sales. "Disloyalty" in such cases, is clearly a reaction against bad management or an unsound price policy. On the other hand, members are frequently inexcusably "disloyal," and this, in the main, arises from the fact that they regard their society in the same light as any other seller, and fail to realise that if their society is prudently managed and adequately supported it is bound, in the long run, to give them more favourable terms than an ordinary trading concern. Experience in other countries suggests that a full measure of support from all members will only be ensured under a system of legally enforceable contracts.

The contract system has not yet been attempted in England. Its importance as affording a stable foundation for business organisation has been discussed at length in the Report on Co-operative Marketing in England and Wales (Economic Series No. 1), and also in Economic Series No. 4.* The principle underlying the system in its application to co-operative purchase is that, for an agreed period, each member would undertake to

* Large Scale Co-operative Marketing in the United States.

buy all his agricultural requisites through his society, and would accept a liability for certain penalties should he fail to do so; or, alternatively, separate contracts would be entered into for specific commodities, as in Denmark, where this is carried a stage further, and separate co-operative organisations exist to handle the feeding-stuffs trade, the fertiliser trade, and so on. At present the practice in this country is for supply societies to handle requisites of all kinds, and the development of the contract system may have to be built up on the existing framework. The range of agricultural requirements, however, is so wide that an omnibus contract may, at present, be out of the question. The most likely line of advance in this country would appear, therefore, to be the development of contracts limited to certain standardised lines in general use throughout the country, and with a federal objective. This is a question which the Co-operative Committee of the National Farmers' Union might usefully explore. It should be borne in mind that the contract system need not imply that members are tied to the purchase of definite quantities of standardised feeding stuffs and fertilisers named in the contract, for quantities must always vary with the character of seasons and many other factors which cannot be foreseen. Farmers could, however, contract to buy their requirements, whatever they may prove to be, in these specialised lines through their societies.

Under the contract system, it is true that the member necessarily loses the old check on bad buying, and, in its place, can only substitute confidence in his committee and in his manager. The responsibility of the committee in the matter of supervision is, therefore, greatly increased, but it should not be impossible to find men who, though they have not the leisure or even the experience to make the purchases themselves, are competent, by studying the course of market prices, to recognise good and bad buying over a period of time. Confidence in the manager can similarly be acquired, but it would clearly be of the utmost importance under any system of membership contracts to employ a manager with ability and a sense of responsibility and these qualities have a high market value.

The contract system has its difficulties and its dangers, and it may not be, at present, altogether acceptable to the English farmers' somewhat conservative temperament. But an appreciation of their ultimate business interest may lead farmers to realise that the purpose of co-operative associations is more likely to be achieved by binding themselves to support their societies with their trade rather than by playing their societies off against competing concerns. Given efficient management, backed by full *guaranteed* support, the co-operative purchase movement might well acquire a driving force which it has never yet had in this country.

Arising out of the question of membership contracts, reference may be made to the fact that the sale of machinery

and implements is a field in which co-operative purchase has made little progress. The explanation is stated by societies to be the action of the Implement Dealers' Association, the members of which are concerned mainly with the sale of English goods and which aims at preventing societies from entering the English goods market at all. This is said to have the effect of forcing societies to develop the sale of imported machinery and implements if they wish to undertake this business. Lack of effort may also be a partial explanation, since one or two societies have made a special feature of supplying machinery and implements and have succeeded in overcoming the difficulties. It is, of course, idle to talk of societies rendering proper service in this direction, or being able to modify the present situation, unless they are prepared to undertake repairs, and to provide service after sale. But that alone would not suffice. The position is such that joint action expressed through the farmers' own organisations appears to be called for, and such action is most likely to be effective if farmers, generally, will stand firmly behind their own organisations in this matter.

It is important to appreciate the difference, in its bearing on contracts, between the attitude of farmers as a whole in this country towards co-operation and the attitude taken, say, by Danish farmers towards their co-operative system for the supply of requisites. In both countries the main business of the requisite societies is to pass on imported supplies. The question of an export trade as against a home-trade does not arise. Nevertheless, while Danish members of co-operative societies have accepted co-operation as a method which makes redundant any competing middleman organisation, farmers in this country have, in general, stopped a long way short of this. They have been ready enough to find considerable amounts of capital to create farmer-owned societies, to act as a variation of the older system and to supplement it. They commonly express the opinion that these co-operative organisations have proved their value, in that they tend to keep down prices, but they have not, in general, accepted the view that farmer-owned organisations for the distribution of farm requisites are capable of displacing the middleman agency altogether so far as co-operators are concerned. This seems to be the flaw in the British farmers' conception of co-operation. Co-operation must imply that, so far as co-operators are concerned, the existence of any other agency should be ignored. Only when this is fully appreciated in this country will farmers be able to employ the co-operative idea as a means of obtaining the maximum benefit even from the present system under which farmers' societies are in daily competition with other distributing agencies and with each other. Still more is such appreciation a necessary preliminary to those further benefits which, in most industries, have been secured by combination on a large scale.

Nevertheless, the fact remains that co-operation for the supply of agricultural requisites can no longer be regarded as in

an experimental stage in this country and must be reckoned as a permanent factor in agricultural organisation. Many successful societies have proved that as regards economy and efficiency they need not fear comparison with any other agency. A comparison between the relative scope of the societies for the supply of requisites and those primarily classed as marketing undertakings is instructive. The volume of business transacted by the former amounted in 1923 to a little over £8,000,000, the latter to nearly £5,000,000. Since requisites are merely raw materials which are ultimately represented by produce, it is obvious that the supply of requisites must be a considerably smaller business in money value than the sale of produce. The business of the requisite societies is thus seen to be not merely nominally larger than that of the marketing societies, but much larger in relation to the total trade. The proportion cannot accurately be gauged but the gross annual value of the fertilisers and feeding stuffs sold in this country is believed to be in the neighbourhood of £50,000,000. Allowing for the marketing and miscellaneous activities of supply societies, it seems probable that the proportion of this trade already in the hands of farmers' societies is from 10 to 12 per cent. of the whole. Further, whereas there are many areas where no co-operative marketing societies exist, the requisite societies, on the whole, are well distributed and there are few districts of any size where a farmer cannot find one of these societies from which to get his requisites if he wishes to do so.

More than half the supply societies handle produce to a varying extent. No difficulties seem to arise so long as the produce handled is confined to non-perishables such as grain, fodder and potatoes. It is easy to secure managers with sufficient knowledge of the trade in these products, which is a usual feature of the corn merchant's business. There is, in general, no need to treat it as a separate department with separate accounts. The marketing of perishables, such as meat, milk and fruit, is a different matter and raises special problems. The general trading societies which handle these are few in number. Some of them are successful, so that there is no inherent impossibility in attempting to combine the sale of requisites with such activities, however contrary this may be to experience abroad. The management difficulty is, however, a serious one. It is not easy to secure managers capable of conducting a large trade in requisites and also having sufficient technical knowledge to face marketing problems of an intricate and widely varying character. Separate management has been tried, but not always with success. There is also the difficulty that, unless separate accounts are kept and the profits of the various branches are treated separately, a loss on one may be set off against a profit on another, different interests being possibly concerned in each case. In fact, to link up the marketing of perishable commodities with general trading introduces a potential source of trouble. There is the further

point, that perishables demand a high standard of marketing efficiency. A general trading society which handles large quantities of eggs after the manner of an ordinary dealer may be hindering the formation of a society organised to deal with eggs only and to carry out the various marketing functions with a high degree of efficiency. It would appear, therefore, that general trading societies would be well advised not to undertake the marketing of perishables. If they are definitely committed to this service they must market efficiently. This will imply adequate capitalisation, specialised management, separate accounts, guaranteed supply and an effective processing and selling organisation.

The history of the co-operative purchase movement in this country raises a further point with which this Report may be concluded. The more successful societies have generally attained their position by selling at market prices, by insisting on prompt payment and by prudently conserving their resources over a number of years. Success, in many cases, can be shown to have depended on the extent to which a society has been content to advance slowly, and to which its members have been prepared, during the process of establishing their society, to forego any immediate benefit such as bonus on purchase. The general trend of market prices for farm requisites is such that, with economical administration, a society, if its members support it in this policy, can, within a reasonable space of time, build up a strong financial position. Having reached that position, it is able to employ its funds in the development of its business, to invest them in subsidiary co-operative ventures, to distribute future profits in the form of cash bonuses, or to give extended credit to its members. This opens up a constructive possibility of considerable economic interest. The majority of farmers obtain credit from merchants in respect of fertilisers and feeding stuffs, and much has been said and written of the undesirable nature of this accommodation. Credit from farmer-owned supply societies is not open to the same objections, and, as has been conclusively shown in a number of cases in the course of this Report, it is in the power of farmers, if they so desire, to build up their own credit system through co-operative purchase organisations and, having control of the system themselves, to secure it from abuse.

INDEX OF TABLES.

In the following Tables it may be noticed that the figures representing turnover are in some cases not in agreement with the figures appearing in the societies' annual accounts. This is due to the fact that societies arrive at their results by different methods; the figures published in this Report represent net turnover arrived at on a common basis for all societies.

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TABLE I.—*The Geographical Distribution of Societies.*

Northern Area.—Comprising the counties of Northumberland, Durham, Yorkshire, Lancashire, Cumberland and Westmorland.

Name of Society.	Area Covered.
Allendale Farmers - - - -	About a 15-mile radius.
Aspatria Agricultural Co-op. -	Eight-mile radius round Aspatria.
Badsworth & Dist. Farmers' Society	Six-mile radius round Pontefract.
Barnsley & Dist. Farmers' Trading	Ten-mile radius round Barnsley.
Brampton Agric. Co-op. - - -	Ten-mile radius, but some customers as far distant as 25 miles.
Brandsby Agric. Trading Assn. -	Between Scarborough and York, (Area 20 square miles.)
Burnley Smallholders Assn. - -	Two-mile radius.
Calder Vale Agriculturists Trading	No information. (H.Q., Elland, Yorks.)
Cumberland & Westmorland Farmers.	Cumberland, Westmorland and North Lonsdale. (H.Q., Penrith.)
Darley Farmers - - - - -	Local. No definite information.
Durham County Farmers' Assn. -	County, from 5 miles South of Tyne to 3 miles North of Tees. (H.Q., Bishop Auckland.)
Escrick & Dist. Co-op. - - - -	Parishes round Naburn and Escrick.
Furness & South Cumberland Supply Assn.	Furness district of Lancs. and part of Cumberland.
Greetland & Dist. Trading - - -	Three-mile radius.
Halifax & Dist. Pig Breeders' & Feeders' Assn.	Three-mile radius.
Halifax Farmers' Trading - - -	Five-mile radius round Halifax.
Hartshead, Clifton & Dist. Farmers	Three-mile radius.
Hobden Bridge & Dist. Farmers' Assn.	Six-mile radius.
Keswick & Cockermouth Farmers' Co-op.	No information.
Kirkby Malzeard & Dist. Agric. -	Gravelthorpe & Kirkby.
Liverpool & Dist. Farmers' Co-op. Assn.	Fifteen-mile radius round Liverpool.
Lunesdale & Dist. Agric. Supply -	Twenty-mile radius round Lancaster.
Manchester & Dist. Farmers' Co-op. Assn.	Area bounded by Widnes, St. Helens, Leigh, Middleton, Hyde, and a little north of Knutsford.
Marton & Dist. Growers' Assn. -	Parish of Marton.
Northallerton Agric. Co-op. Trading	Local.
Northern Agric. Co-op. - - - -	Northern part of Durham and most of Northumberland. (H.Q., Newcastle-on-Tyne.)
Oldham & Dist. Farmers - - - -	Eight- to nine-mile radius round Oldham.
Oldham Poultry League - - - -	Oldham Town.
Padiham & Dist. Farmers' Trading	Three-mile radius round Padiham, excluding Burnley.
Penistone & Dist. Farmers' Trading	Five-mile radius.
Penrith & Dist. Farmers' Co-op. -	An area including Penrith, Cockermouth, Carlisle, Brampton and Appleby.
Preston & Dist. Farmers' Trading -	Thirteen-mile radius round Preston, with detached area (Nelson and Colne).

Name of Society.	Area Covered.
Ripponden & Dist. Farmers' Assn.	Three-mile radius.
Rochdale & Dist. Farmers - -	Five- to six-mile radius round Rochdale.
Rochdale & Dist. Poultry League -	Ten-mile radius round Rochdale.
Rylstone & Dist. Agric. Trading Assn.	Small local area.
South-West Lancs. Farmers - -	S.W. Lancashire. (H.Q., Ormskirk.)
Sowerby Bridge & Dist. Dairy Farmers' & Milk Dealers' Assn.	Districts of Sowerby Bridge, Rishworth, Luddenden, Foot, &c.
Swaledale Farmers' Assn. - -	Upper part of the Dale. (H.Q., Reeth.)
Tees Side Farmers - - - -	Yorkshire as far south as Northallerton. Durham as far north as Durham City and Tees Valley. (H.Q., Darlington.)
Teesdale Associated Farmers - -	Practically Teesdale Union. (H.Q., Barnard Castle.)
Wakefield & Dist. Farmers - -	No definite information but nine miles in one direction.
West Cumberland Farmers' Trading	No information. (H.Q., Whitehaven.)
Wetherby Farmers - - - -	Local.
Whalley Dist. Farmers - - - -	Thirteen miles north, seven miles south and four miles east and west of Whalley.
Wharfedale Farmers' Trading Assn.	Within carting distance of Leathley and Otley.
Whitby & Dist. Farmers' Co-op. -	Strip 4 by 15 miles from Whitby to Stockton, and another up Esk Valley.
Wortley & Tankersley Farmers' Co-op.	Three-mile radius.
Wyke & Dist. Trading - - - -	No information. Doubtless very local.
Yorkshire Farmers - - - -	North and East Ridings of Yorkshire. (H.Q., York.)

Eastern Area.—Comprising the counties of Lincolnshire, Norfolk, Suffolk, Essex, Cambridgeshire, Bedfordshire, Hertfordshire and Middlesex.

Name of Society.	Area Covered.
Dunmow & Dist. Farmers - -	An area of 25,000 acres.
East Essex Farmers - - - -	Forty-mile radius round Southminster.
Eastern Counties Farmers' Co-op. Assn.	Norfolk, Suffolk, Cambridgeshire and part of Essex. (H.Q., Ipswich.)
Lincolnshire Farmers' Co-op. Assn.	County. (H.Q., Lincoln.)
Marshland & Wingland Agric. Trading Assn.	Ten-mile radius round Walpole Cross Keys.
Nursery Trades - - - -	The Lea Valley (part of Herts., Essex, Beds. and Middlesex. H.Q., Cheshunt).
Saffron Walden, Bishops Stortford and Dist. Farmers' Assn.	Parts of Essex, Herts. and Cambs.

Midland Area.—Comprising the counties of Nottinghamshire, Derbyshire, Staffordshire, Leicestershire, Rutland, Huntingdon, Northamptonshire, Warwickshire and Worcestershire.

Name of Society.	Area Covered.
Biddulph & Dist. Agric. - -	Eight-mile radius round Leek.
Coalville & Dist. Farmers' Assn. -	Five-mile radius.
Crick & Dist. Agric. Co-op. - -	Three-mile radius.
Melton Mowbray & Dist. Farmers' Assn.	Ten-mile radius.
Midland Farmers' Co-op. Assn. -	No information. (H.Q., Nottingham.)
Newark Farmers - - - -	Twenty-mile radius.
North Notts. Farmers' Trading -	Area bounded by and including Mansfield, Chesterfield, Sheffield, Nottingham, Bawtry, Retford, Tunford and Ollerton. (H.Q., Worksop.)
Northamptonshire Farmers - -	County. (H.Q., Northampton.)
Pinvin & Dist. Agric. Co-op. - -	Parishes of Peopleton, Pinvin and Wagon Piddle.
Staffordshire Farmers - - - -	No information. Presumably the county. (H.Q., Stafford.)
Stockbreeders' Supply Assn. - -	Part of Huntingdonshire. (H.Q., Brampton, Hunts.)
Warwickshire Farmers - - - -	County. (H.Q., Stratford-on-Avon.)
Worcestershire Farmers - - - -	County. (H.Q., Worcester.)

Southern and South-western Area.—Comprising the counties of Kent, Surrey, Sussex, Hampshire, Buckinghamshire, Oxfordshire, Berkshire, Wiltshire, Dorsetshire, Gloucestershire, Somerset, Devon and Cornwall.

Name of Society.	Area Covered.
Berks., Bucks. & Oxon. Farmers -	Most of trade is in Berks. and Bucks. (H.Q., Reading.)
Bransgore & Dist. Agric. Co-op. -	Three-mile radius.
Buckingham Agric. Trading Assn. -	Fifteen-mile radius round Buckingham.
Cirencester Farmers' Assn. - - -	Cotswold area of Gloucestershire and N.W. Wilts.
Cornwall Farmers - - - - -	Launceston in east to Redruth in west. (H.Q., Lostwithiel.)
Dorset Farmers - - - - -	County, except Gillingham and Shaftesbury, but including Ringwood, Yeovil and Axminster. (H.Q., Dorchester.)
East Devon Agric. Co-op. - - - -	Eighteen miles east of Exeter, 5 miles west, 10 miles north, and 10 miles south. (H.Q., Exeter.)
East Surrey Farmers' Co-op. - -	Eastern half of Surrey. (H.Q., Redhill.)
Farnham, Alton & Dist. Farmers' & Hop Growers' Co-op. Assn.	Fifteen-mile radius of Farnham.
Frampton & Dist. Growers - - - -	Six to 8-mile radius.
Gwinear & Dist. Agric. Co-op. - -	Ten-mile radius.
Hartley Agric. Co-op. - - - - -	Seven-mile radius of Hartley.
Horsham & W. Sussex Farmers' Co-op.	Ten-mile radius round Horsham.

Name of Society.	Area Covered.
Isles of Scilly Growers - -	Islands of St. Mary's and St. Agnes.
Isle of Wight Farmers' Trading -	Island.
Kent & Sussex Farmers - -	Kent and the eastern border of Sussex. (H.Q., Sevenoaks.)
Lydney Dist. Farmers' Co-op. -	Round Lydney. Fourteen miles towards Gloucester, 7 miles towards Chepstow.
New Forest Agric. Co-op. - -	Twelve-mile radius round Netley Marsh. (H.Q., Netley Marsh.)
North Devon Farmers - - -	Fifteen-mile radius round Barnstaple. (H.Q., Bideford.)
Oxfordshire Farmers - - -	County. (H.Q., Oxford.)
Sherston Co-op. Milling - - -	Six-mile radius.
South Devon Farmers - - -	Coast of South Devon from Dawlish to Plymouth. (H.Q., Newton Abbott.)
Southern Counties Agric. Trading -	Hants. and parts of Dorset, Wilts., Bucks., Berks. and Oxon. (H.Q., Winchester.)
Uxbridge & Dist. Agric. Co-op. -	Six-mile radius round Uxbridge.
Wanborough Dist. Agric. Co-op. -	The Wanboroughs.
Wealden Farmers - - - -	Twenty-mile radius of Tunbridge Wells. (H.Q., Oxted.)
Wellow & Dist. Agric. Co-op. -	Three-mile radius round East Wellow.
West Devon & North Cornwall Farmers.	Twenty-mile radius round Holsworthy.
West Surrey Farmers' Assn. - -	Mid & West Surrey. (H.Q., Guildford.)
Westend & Dist. Agric. Co-op. -	Six-mile radius round Westend, Southampton.
Western Farmers - - - -	Greater part of Gloucester, part of Hereford, borders of Oxon. and Wores. (H.Q., Gloucester.)
Wilts. Agric. Co-op. - - - -	Fifteen-mile radius round Melksham.

Welsh Border Area.—Comprising the counties of Shropshire, Cheshire, Herefordshire and Monmouthshire.

Name of Society.	Area Covered.
Ardene Assn. - - - -	Ten-mile radius round Tarporley.
Chepstow Farmers - - - -	Ten-mile radius.
Cheshire, Shropshire & North Wales Farmers' Supply Assn.	S. & S.E. Cheshire, N. Salop, N. Staffs., borders of Flint. (H.Q., Nantwich.)
Chester & Dist. Farmers' Trading -	Twenty-mile radius round Chester.
Hawarden & Dist. Farmers' Assn. -	Five-mile radius round Hawarden.
Hay & Dist. Farmers' Co-op. - -	Part of West Hereford and parts of Radnor and Brecon.
Ledbury Agric. Co-op. - - - -	Ledbury area of Herefordshire.
Llanvihangel, Pandy & Dist. Agric. Co-op.	No information. Society dormant.
Macclesfield & Dist. Farmers' Trading.	Fifteen-mile radius round Macclesfield.
Mid-Cheshire Farmers' Co-op. -	Fifteen-mile radius. (H.Q., Knutsford.)
Monmouth Agric. Co-op. - - - -	Twelve-mile radius. (H.Q., Monmouth.)
Oswestry, Weston-Rhyn & Dist. Farmers.	Four-mile radius round Preesqueen Sta.

Name of Society.	Area Covered.
Shropshire Farmers - - -	Central Shropshire. (H.Q., Shrewsbury.)
South Herefordshire Agric. Co-op. -	S. Hereford, E. Monmouth, W. Gloucester. (H.Q., Ross.)
South Shropshire Farmers - - -	S. Shropshire, N. Hereford, Montgomery and part of Radnor. (H.Q., Craven Arms.)
West Hereford, Radnor Farmers -	Ten-mile radius round Kingston.

Welsh Area.—Comprising whole of Wales.

Name of Society.	Area Covered.
Aberaeron Agric. Co-op. - - -	Five-mile radius.
Anglesey Western Co-op. - - -	Rhosneiger, Bodorgan and Tycores. (H.Q., Rhosneiger.)
Blackmill & Dist. Farmers' Co-op. -	Seven-mile radius.
Blaenpenal & Dist. Agric. Co-op. -	Ten-mile radius.
Builth Farmers' Assn. - - -	Local area round Builth Wells and Erwood.
Carmarthen Farmers' Co-op. - - -	Ten to 12-mile radius round Carmarthen.
Ceiriog Valley Co-op. - - -	Ten-mile radius round Glyn Ceiriog.
Clynderwen & Dist. Farmers' Assn. -	Fifteen to 20-mile radius round Clynderwen.
Clynnog Fawr Farmers' Assn. - - -	Five-mile radius.
Corwen & Dist. Farmers' Assn. - - -	Six-mile radius.
Crymmych & Dist. Farmers' Assn. -	Eight-mile radius.
Denbigh & Ruthin Farmers' Assn. -	About 12 miles along Vale of Clwydd. (H.Q., Ruthin.)
Dinas Powis Farmers - - -	No information.
Dulas Agric. Co-op. - - -	Five to 6-mile radius round Amlwch.
Dyffryn Ial Agric. Co-op. - - -	Two-mile radius.
Edeyrnion Agric. Co-op. - - -	Six-mile radius.
Eifionydd Farmers' Assn. - - -	Approx. 300 sq. miles.
Eglwysbach Farmers' Assn. - - -	Two to 3-mile radius.
Emlyn Agric. - - -	Ten-mile radius of Newcastle Emlyn.
Farmers, Ltd. - - -	Eight-mile radius round Ammanford.
Fishguard & Goodwick Agric. - - -	Ten to 15-mile radius round Fishguard.
Flintshire Agric. Co-op. - - -	Five-mile radius. (H.Q., Mold.)
Foel Agric. Co-op. - - -	Foel, Newborough, Dwyran, Llangaffo, Brysiencyn.
Gower Farmers' Co-op. - - -	Thirty-mile radius.
Haverfordwest Agric. Co-op. - - -	Ten to 12-mile radius round Haverfordwest.
Llandbedr & Dyffryn Agric. Co-op. -	Approximately 5-mile radius.
Llandovery & Dist. Agric. Co-op. -	Local.
Llandyssul Agric. - - -	Seven-mile radius round Llandyssul.
Llanedame & Dist. Farmers' Assn. -	Six-mile radius.
Llanelly & Dist. Farmers - - -	Twelve-mile radius round Llanelly.
Llanfachreth & Dist. Agric. Co-op. -	Five-mile radius.
Llanfrothen & Dist. Agric. Co-op. -	Two-mile radius.
Llangadoch & Dist. Agric. Co-op. -	Eight-mile radius round Llangadoch.
Llangynwyd Farmers - - -	Five-mile radius.
Llanidloes Farmers' Co-op. - - -	Seven-mile radius.
Llanrwst Dist. Agric. Co-op. - - -	Two-and-a-half-mile radius.
Llanybyther Agric. Co-op. - - -	Eight-mile radius.
Lledrod Agric. - - -	Three-mile radius.
Manod Agric. Co-op. - - -	Two-mile radius.

Name of Society.	Area Covered.
Maenor (Flintshire) Agric. Co-op.	The Hundred of Maenor (10 by 2 miles).
Maentwrog & Dist. Agric. Co-op.	Two-mile radius.
Mid-Glamorgan Farmers	Eight-mile radius round Bridgend.
Montgomery Farmers' Assn.	Greater part of county. (H.Q., Newtown, Monts.)
Nant Machno & Dist. Agric. Co-op.	Two-mile radius.
New Quay, Llandyssul Agric.	Seven-mile radius round New Quay.
North Cardiganshire Farmers' Co-op.	Twelve-mile radius. (H.Q., Aberystwyth.)
North-west Anglesey Co-op.	Six-mile radius. (H.Q., Rhosgoch.)
Pembroke & Dist. Agric. Co-op.	Ten-mile radius round Pembroke.
Penllyn Agric. Co-op.	Ten-mile radius.
Penrhyncoch Agric. Co-op.	Two-mile radius.
Penybont & Dist. Farmers' Assn.	Ten-mile radius round Penybont.
Pontardawe & Dist. Farmers' Assn.	Ten-mile radius.
Pontardulais & Dist. Farmers' Assn.	Fifteen-mile radius.
Pumpsaint & Dist. Agric. Co-op.	Six to 7-mile radius round Lampeter, and strip, 6 by 16 miles to Llanwrda.
Pyle & Dist. Agric. Co-op.	Fourteen-mile radius.
Rhayader & Dist. Farmers' Assn.	Five-mile radius round Rhayader.
St. Fagans, Peterston & Dist. Agric. Co-op.	Six-mile radius.
Siabod Co-op.	Two-mile radius.
Solva Farmers' Co-op.	Fifteen-mile radius round Solva.
Swansea & Dist. Farmers' Assn.	Eight-mile radius.
Talsarnau & Dist. Co-op.	Four to 5-mile radius.
Towyn Farmers	Eight-mile radius.
Trawsfynydd Farmers' Co-op.	Ten-mile radius.
Uwchaled Co-op. Assn.	Two to 3-mile radius.
Vale of Aeron Agric. Co-op.	Five-mile radius. (H.Q., Felinfach, Cards.)
Vale of Clwyd Agric. Co-op.	Eleven to 12-mile radius. (H.Q., Dyserth.)
Vale of Rheidol Agric. Co-op.	Four-mile radius. (H.Q., Nantybanglog Capel Sion.)
Vale of Tivy Agric.	Eight-mile radius. (H.Q., Cardigan.)
West Breconshire Farmers' Assn.	Twelve miles on one and 16 miles on the other, side of Brecon.
West Glamorgan Farmers' Assn.	Twelve-mile radius. (H.Q., Llangyfelach, Morryston.)
Whitland Farmers' Co-op.	Eight-mile radius round Whitland.
Wnion Dist. Agric. Co-op.	Six-mile radius.
Wrexham & Dist. Farmers' Co-op.	Parts of Denbigh & Flint. (H.Q., Wrexham.)
Wynnstay Farmers' Assn.	Northern part of Montgomeryshire.
Ysbyttyifan Farmers' Assn.	One to 2-mile radius.

TABLE II.—*Gro*

Group and Section.		Total Number of Societies.	Membership.		Turnover.			Total.			
			Total.	Average per Society.	Total.	Average per Society.	Average per Member.	Share Capital Paid up.	Loans and Mortgages.	Bank Overdrafts.	
Group A— Truckload Type.	Requisites only.	English	11	802	73	£ 64,060	£ 5,824	£ 80	£ 4,818	—	£ 87
		Welsh	7	407	58	8,824	1,261	22	295	—	33
		Total -	18	1,209	67	72,884	4,049	60	5,113	—	1,209
	Requisites and Produce.	English	2	1,245	623	104,529	52,265	84	7,905	—	2,015
		Welsh	—	—	—	—	—	—	—	—	—
		Total -	2	1,245	623	104,529	52,265	84	7,905	—	2,015
	Whole Group.	English	13	2,047	157	168,589	12,968	83	12,723	—	2,887
		Welsh	7	407	58	8,824	1,261	22	295	—	33
		TOTAL	20	2,454	123	177,413	8,871	71	13,018	—	3,224
Group B— Storage Type.	Requisites only.	English	20	2,493	125	130,174	6,509	52	9,667	4,379	1,104
		Welsh	34	7,253	213	389,105	10,856	51	39,850	2,685	7,952
		Total -	54	9,746	180	499,279	9,246	51	49,517	7,064	9,062
	Requisites and Produce.	English	13	4,330	333	455,916	35,070	105	95,328	1,500	19,195
		Welsh	12	4,455	371	185,135	15,428	42	19,786	4,893	12,865
		Total -	25	8,785	351	641,051	25,642	73	115,114	6,393	32,060
	Whole Group.	English	33	6,823	207	586,090	17,760	86	104,995	5,879	20,304
		Welsh	46	11,708	255	554,240	12,049	47	59,636	7,578	20,818
		TOTAL	79	18,531	235	1,140,330	14,435	62	164,631	13,457	41,122
Group C— Delivery Type.	Requisites only.	English	15	2,870	191	203,662	13,577	72	24,687	8,975	7,191
		Welsh	7	2,029	290	125,633	17,948	62	9,322	575	5,988
		Total -	22	4,899	223	329,295	14,968	67	34,009	9,550	13,179
	Requisites and Produce.	English	57	26,468	464	6,105,221	107,109	231	743,882	205,521	463,074
		Welsh	15	7,714	514	451,321	30,088	59	41,409	11,933	33,041
		Total -	72	34,182	475	6,556,542	91,063	192	785,291	217,454	496,122
	Whole Group.	English	72	29,338	407	6,308,883	89,012	219	768,569	214,496	470,264
		Welsh	22	9,743	443	576,954	26,225	59	50,731	12,508	39,031
		TOTAL	94	39,081	416	6,885,837	73,254	176	819,300	227,004	509,300
All Groups.	Requisites only.	English	46	6,165	134	397,896	8,650	65	39,172	13,354	9,172
		Welsh	48	9,689	202	503,562	10,491	52	49,467	3,260	14,278
		Total -	94	15,854	169	901,458	9,590	57	88,639	16,614	23,450
	Requisites and Produce.	English	72	32,043	445	6,665,666	92,579	208	847,115	207,021	484,282
		Welsh	27	12,169	46	636,456	23,572	52	61,195	16,826	45,912
		Total -	99	44,212	444	7,302,122	73,759	165	908,310	223,847	530,197
	Grand Totals.	English	118	38,208	324	7,063,562	59,861	185	886,287	220,375	493,457
		Welsh	75	21,858	291	1,140,018	15,200	52	110,662	20,086	60,194
		GRAND TOTAL	193	60,066	311	8,203,580	42,506	137	996,949	240,461	553,651

Statistics.

Capitalisation from all sources.									Debts Due by Members.		
Reserves and Undistributed Profits.	Average per Society.				Average per Member.				Total.	Average per Society.	Average per Member.
	Share Capital Paid up.	Loans and Mortgages.	Bank Overdrafts.	Reserves and Undistributed Profits.	Share Capital Paid up.	Loans and Mortgages.	Bank Overdrafts.	Reserves and Undistributed Profits.			
£	£	£	£	£	£	£	£	£	£	£	£
1,185	438	—	79	108	6.0	—	1.1	1.5	5,318	483	6.6
729	42	—	48	104	0.7	—	0.8	1.8	1,035	148	2.5
456	294	—	67	25	4.2	—	1.0	0.4	6,353	353	5.3
4,464	3,952	—	1,008	2,232	6.3	—	1.6	3.6	12,116	6,058	9.7
4,464	3,952	—	1,008	2,232	6.3	—	1.6	3.6	12,116	6,058	9.7
3,279	79	—	222	252	6.2	—	1.4	1.6	17,434	1,341	8.5
729	42	—	48	104	0.7	—	0.8	1.8	1,035	148	2.5
4,008	651	—	161	200	5.3	—	1.3	1.6	18,469	923	7.5
11,712	483	219	55	586	3.9	1.8	0.4	4.7	13,747	687	5.5
27,744	1,172	79	234	816	5.5	0.4	1.1	3.8	40,865	1,202	5.6
39,456	917	131	168	731	5.1	0.7	0.9	4.0	54,612	1,011	5.6
[-11,102]	7,333	115	1,477	[-854]	22.0	0.3	4.4	[-2.6]	67,728	5,210	15.6
16,704	1,649	408	1,072	1,392	4.4	1.1	2.9	3.7	29,993	2,499	6.7
5,602	4,605	256	1,282	224	13.1	0.7	3.6	0.6	97,721	3,909	11.1
610	3,182	178	615	18	15.4	0.9	3.0	0.1	81,475	2,469	11.9
44,448	1,296	165	453	966	5.1	0.6	1.8	3.8	70,858	1,540	6.1
45,058	2,084	170	521	570	8.9	0.7	2.2	2.4	152,333	1,928	8.2
10,091	1,646	598	479	673	8.6	3.1	2.5	3.5	21,338	1,423	7.4
11,586	1,332	82	855	1,655	4.6	0.3	3.0	5.7	16,415	2,345	8.1
21,677	1,546	424	599	985	6.9	1.9	2.7	4.4	37,753	1,716	7.7
[-10,658]	13,051	3,606	8,124	[-187]	28.1	7.8	17.5	[-0.4]	763,920	13,402	28.9
33,675	2,761	796	2,203	2,245	5.4	1.5	4.3	4.4	72,505	4,834	9.4
23,017	10,907	3,020	6,891	320	23.0	6.4	14.5	0.7	836,425	11,617	24.5
[-567]	10,675	2,979	6,531	[-8]	26.2	7.3	16.0	[-0.0]	785,258	10,906	26.8
45,261	2,306	589	1,774	2,057	5.2	1.3	4.0	4.6	88,920	4,042	9.1
44,694	8,716	2,415	5,418	475	21.0	5.8	13.0	1.1	874,178	9,300	22.4
20,618	852	290	199	448	6.4	2.2	1.5	3.3	40,403	878	6.6
40,059	1,031	68	297	834	5.1	0.3	1.5	4.1	58,315	1,215	6.0
60,677	943	177	249	645	5.6	1.0	1.5	3.8	98,718	1,050	6.2
[-17,296]	11,765	2,875	6,726	[-240]	26.4	6.5	15.1	[-0.5]	843,764	11,719	26.3
50,379	2,266	623	1,700	1,866	5.0	1.4	3.8	4.1	102,498	3,796	8.4
33,083	9,175	2,261	5,356	334	20.7	5.1	12.0	0.7	946,262	9,558	21.4
3,322	7,511	1,868	4,182	28	23.2	5.8	12.9	0.1	884,167	7,493	23.1
90,438	1,475	268	803	1,206	5.1	0.9	2.7	4.1	160,813	2,144	7.3
93,760	5,166	1,246	2,869	486	16.6	4.0	9.2	1.6	1,044,980	5,414	17.4

TABLE III.—*List of Agricultural Co-operative Societies for the Purchase of Farmers' Requisites grouped in accordance with the system of classification employed in this Report (Group A).*

Name of Society.	No. of Members.	Share Capital Paid up (1923).	Turnover (1923).
		£	£
REQUISITES ONLY.			
<i>English :</i>			
Badsworth & Dist. Farmers' Socy. -	29	94	1,934
Cirencester Farmers' Assn. - -	128	190	16,362
Crich. & Dist. Agric. Co-op. - -	97	199	293
Dunmow & Dist. Farmers - - -	25	6	564
Eecrick & Dist. Agric. Co-op. - -	46	1,730	8,223
Llanvihangel, Pandy & Dist. Agric. Co-op. - - - -	54	31	527
Nursery Trades - - - - -	154	1,399	25,276
Pinvin & Dist. Agric. Co-op. - -	34	23	125
Westend & Dist. Agric. Co-op. - -	41	88	532
Wetherby Farmers - - - - -	109	1,035	7,483
Wortley & Tankersley Farmers' Co-op.	85	23	2,741
<i>Welsh :</i>			
Blackmill & Dist. Farmers' Co-op. -	117	96	4,947
Dulas Agric. Co-op. - - - - -	44	40	455
Eglwysbach Farmers' Assn. - - -	33	35	649
Lledrod Agricultural - - - - -	41	5	312
Penrhyncoch Agric. Co-op. - - -	21	1	479
Rhayader & Dist. Farmers' Assn. -	111	115	1,889
Vale of Rheidol Agric. Co-op. - -	40	3	93
REQUISITES AND PRODUCE.			
<i>English :</i>			
Midland Farmers' Co-op. Assn. - -	906	1,273	53,700
Oxfordshire Farmers - - - - -	339	6,632	50,829
<i>Welsh :</i>			
Nil.			
Total - - -	2,454	13,018	177,413

TABLE IV.—*List of Agricultural Co-operative Societies for the Purchase of Farmers' Requisites grouped in accordance with the system of classification employed in this Report (Group B).*

Name of Society.	No. of Members.	Share Capital Paid up (1923).	Turnover (1923).
REQUISITES ONLY.			
<i>English :</i>		£	£
Brampton Agric. Co-op.	77	350	1,544
Burnley Smallholders' Assn.	103	101	6,861
Coalville & Dist. Farmers' Assn.	46	176	1,338
Darley Farmers	42	135	3,172
Farnham, Alton & Dist. Farmers' and Hop Growers' Co-op. Assn.	124	417	7,435
Gwinear & Dist. Agric. Co-op.	88	672	5,040
Halifax & Dist. Pig Breeders' and Feeders' Assn.	87	93	1,945
Hebden Bridge & Dist. Farmers' Assn.	201	845	23,488
Horsham & West Sussex Farmers' Co-op.	590	756	6,254
Isles of Scilly Growers	41	115	673
Northallerton Agric. Co-op. Trading	179	73	5,282
Oldham Poultry League	98	503	3,393
Oswestry, Weston Rhyn & Dist. Farmers	86	721	11,288
Padham & Dist. Farmers' Trading	59	257	5,440
Penrith & Dist. Farmers' Co-op.	249	3,139	12,038
Ripponden & Dist. Farmers' Assn.	105	115	9,629
Rylstone & Dist. Agric. Trad. Assn.	64	570	3,970
Sowerby Bridge & Dist. Dairy Farmers' and Milk Dealers' Assn.	69	319	15,776
Wanborough Dist. Agric. Co-op.	47	112	1,170
Wyke & Dist. Trading	138	198	4,438
<i>Welsh :</i>			
Anglesey Western Co-op.	382	919	6,931
Builth Farmers' Assn.	28	221	2,138
Carmarthen Farmers' Co-op.	2,039	25,052	160,436
Ceiriog Valley Co-op.	166	631	4,913
Clynnog Fawr Farmers' Assn.	134	116	6,436
Corwen & Dist. Farmers' Assn.	111	123	5,102
Crymmych & Dist. Farmers' Assn.	118	1,192	26,101
Denbigh and Ruthin Farmers' Assn.	276	1,042	5,905
Dyffryn Ial Agric. Co-op.	116	243	5,591
Edeyrnion Agric. Co-op.	165	92	4,405
Farmers' Ltd.	157	3,344	5,738
Fishguard and Goodwick Agric.	58	44	3,948
Llandbedr & Dyffryn Agric. Co-op.	230	127	9,062
Llandovery & Dist. Agric. Co-op.	208	210	10,309
Llanfrothen & Dist. Agric. Co-op.	211	73	6,836
Llangynwyd Farmers	74	20	2,936
Llanidloes Farmers' Co-op.	78	252	8,131
Llanrwst Dist. Agric. Co-op.	164	724	8,479
Maentwrog & Dist. Agric. Co-op.	160	117	4,662
Nant Machno & Dist. Agric. Co-op.	129	655	4,895

Table continued on next page.

Name of Society.	No. of Members.	Share Capital Paid up (1923).	Turnover (1923).
REQUISITES ONLY—continued.		£	£
<i>Welsh—continued.</i>			
New Quay Llandyssul Agric. - - -	156	506	5,967
North West Anglesey Co-op. - - -	340	209	7,996
Penybont & Dist. Farmers' Assn. - - -	124	1,155	8,745
Pontardawe & Dist. Farmers' Assn. - - -	207	244	3,049
Pyle & Dist. Agric. Co-op. - - -	130	652	3,713
St. Fagan's, Peterston & Dist. Agric. Co-op. Assn. - - - - -	304	167	3,555
Siabod Co-op. - - - - -	94	64	2,366
Swansea & Dist. Farmers' Assn. - - -	89	319	6,885
Towyn Farmers - - - - -	51	235	3,186
Uwchaled Co-op. Assn. - - - - -	124	386	5,678
Vale of Aeron Agric. Co-op. - - -	269	167	8,036
West Glamorgan Farmers' Assn. - - -	191	400	10,440
Wnion Dist. Agric. Co-op. - - -	87	55	3,721
Ysbyttyifan Farmers' Assn. - - -	83	94	2,815
REQUISITES AND PRODUCE.			
<i>English :</i>			
Aspatria Agric. Co-op. - - -	345	2,418	32,390
Berks, Bucks & Oxon Farmers - - -	325	13,795	58,364
Frampton & Dist. Growers - - -	74	247	1,659
Furness & South Cumberland Supply Assn. - - - - -	525	8,597	55,413
Hay & Dist. Farmers' Co-op. - - -	76	4,721	24,094
Kirkby Malzeard & Dist. Agric. - - -	74	134	4,356
Ledbury Agric. Co-op. - - -	168	5,153	26,887
Shropshire Farmers - - - - -	1,223	29,618	84,361
South Shropshire Farmers - - - - -	259	9,106	49,151
Wellow & Dist. Agric. Co-op. - - -	87	46	1,369
Wharfedale Farmers' Trading Assn. - - -	226	165	19,643
Whitby & Dist. Farmers - - - - -	226	7,574	31,727
Worcestershire Farmers - - - - -	722	13,754	66,502
<i>Welsh :</i>			
Aberaeron Agric. Co-op. - - - - -	154	175	6,235
Emlyn Agric. - - - - -	812	3,561	23,040
Flintshire Agric. Co-op. - - - - -	84	1,161	11,224
Gower Farmers' Co-op. - - - - -	304	455	5,352
Manod Agric. Co-op. - - - - -	192	194	5,336
North Cardiganshire Farmers' Co-op. - - -	297	1,496	13,559
Pembroke & Dist. Agric. Co-op. - - -	654	749	23,224
Pontardulais & Dist. Farmers' Assn. - - -	421	363	15,310
Talsarnau & Dist. Co-op. - - - - -	257	71	8,519
Vale of Clwyd Agric. Co-op. - - - - -	599	4,980	22,778
Whitland Farmers' Co-op. - - - - -	159	2,150	22,440
Wynnstey Farmers' Assn. - - - - -	522	4,431	28,118
Total - - -	18,531	164,631	1,140,330

TABLE V.—*List of Agricultural Co-operative Societies for the Purchase of Farmers' Requisites grouped in accordance with the system of classification employed in this Report (Group C).*

Name of Society.	No. of Members.	Share Capital Paid up (1923).	(1923). Turnover.
REQUISITES ONLY.			
<i>English :</i>		£	£
Bransgrove & Dist. Agric. Co-op. -	169	238	2,193
Calder Vale Agric. Trading - -	330	10,549	47,535
Greetland & Dist. Trading - - -	135	330	6,685
Halifax Farmers' Trading - - -	287	888	41,755
Hartley Agric. Co-op. - - - -	99	173	3,943
Hartshead, Clifton & Dist. Farmers -	90	1,250	11,615
Liverpool & Dist. Farmers' Co-op. Assn. - - - - -	232	641	8,508
Marton & Dist. Growers' Assn. - -	265	389	26,172
Oldham & Dist. Farmers - - - -	82	2,409	16,328
Penistone & Dist. Farmers' Trading -	70	1,400	7,785
Rochdale & Dist. Poultry League -	106	1,508	13,384
Stockbreeders' Supply Assn. - - -	26	53	753
Swaledale Farmers' Assn. - - - -	110	702	6,659
Uxbridge & Dist. Agric. Co-op. - -	763	568	3,719
Whalley Dist. Farmers - - - - -	106	3,589	30,128
<i>Welsh</i>			
Llanedarne & Dist. Farmers' Assn. -	36	259	3,181
Llanelly & Dist. Farmers - - - -	467	1,658	27,599
Llanfachreth & Dist. Agric. Co-op. -	220	289	3,156
Llangadoch & Dist. Agric. Co-op. -	207	129	11,521
Mid-Glamorgan Farmers - - - - -	418	3,923	20,786
Pumpsaint & Dist. Agric. Co-op. -	424	2,935	44,789
Trawsfynydd Farmers' Co-op. - - -	257	129	14,601
REQUISITES AND PRODUCE.			
<i>English :</i>			
Allendale Farmers - - - - -	327	2,717	26,137
Arderne Assn. - - - - -	224	5,406	19,585
Barnsley & Dist. Farmers' Trading -	70	1,400	7,470
Biddulph & Dist. Agric. - - - -	499	4,591	63,392
Brandsby Agric. Trading Assn. - -	684	11,891	59,434
Buckingham Agric. Trading Assn. -	211	6,972	27,230
Chepatow Farmers - - - - -	222	13,675	52,192
Cheshire, Shropshire & North Wales Farmers' Supply Assn. - - - - -	880	26,104	173,684
Chester & Dist. Farmers' Trading -	142	7,765	51,727
Cornwall Farmers - - - - -	576	16,055	151,690
Cumberland & Westmorland Farmers	224	9,433	43,728
Dorset Farmers - - - - -	1,188	34,945	205,953
Durham County Farmers' Assn. - -	325	7,360	35,556
East Devon Agric. Co-op. - - - -	570	11,749	47,391
East Essex Farmers - - - - -	150	10,317	76,982

Table continued on next page.

Name of Society.	No. of Members.	Share Capital Paid up (1923).	Turnover. (1923).
REQUISITES AND PRODUCE—continued.		£	£
<i>English—continued.</i>			
East Surrey Farmers' Co-op. - - -	60	2,905	21,298
Eastern Counties Farmers' Co-op. Assn. - - - - -	3,196	66,085	878,010
Hawarden & Dist. Farmers' Assn. - - -	259	4,512	16,561
Isle of Wight Farmers' Trading - - -	146	12,980	29,590
Kent & Sussex Farmers - - - - -	528	20,966	388,163
Keswick & Cockermouth Farmers' Co-op. - - - - -	89	800	12,569
Lincolnshire Farmers - - - - -	378	18,633	66,657
Lunesdale & Dist. Agric. Supply - - -	568	25,810	144,793
Lydney Dist. Farmers' Co-op. - - -	332	6,301	38,257
Macclesfield & Dist. Farmers' Trading	286	14,939	58,973
Manchester & Dist. Farmers' Co-op. Assn. - - - - -	588	8,934	90,504
Marshland & Wingland Agric. Trading Assn. - - - - -	182	556	8,072
Melton Mowbray & Dist. Farmers' Assn. - - - - -	448	3,792	201,735
Mid-Cheshire Farmers' Co-op. - - -	612	9,912	48,400
Monmouth Agric. Co-op. - - - - -	190	11,490	19,426
New Forest Agric. Co-op. - - - - -	436	2,440	18,141
Newark Farmers - - - - -	133	2,670	48,210
North Devon Farmers - - - - -	254	3,421	31,708
North Notts. Farmers' Trading - - -	181	12,798	74,137
Northamptonshire Farmers - - - - -	490	18,575	102,200
Northern Agric. Co-op. - - - - -	296	14,385	132,008
Preston & Dist. Farmers' Trading - -	1,488	75,880	435,572
Rochdale & Dist. Farmers - - - - -	109	4,793	21,991
Saffron Walden, Bishops Stortford & Dist. Farmers' Assn. - - - - -	616	11,218	75,000
Sherston Co-op. Milling - - - - -	63	845	5,541
South Devon Farmers - - - - -	381	6,572	29,468
South Herefordshire Agric. Co-op. - -	323	19,709	78,707
South West Lancashire Farmers - - -	172	13,285	55,912
Southern Counties Agric. Trading - -	938	27,260	425,317
Staffordshire Farmers - - - - -	1,232	22,338	465,483
Tees-Side Farmers - - - - -	668	23,255	208,243
Teesdale Associated Farmers - - - - -	325	1,907	14,105
Wakefield & Dist. Farmers - - - - -	108	2,504	17,204
Warwickshire Farmers - - - - -	506	21,638	49,331
Wealden Farmers - - - - -	221	1,094	15,351
West Cumberland Farmers' Trading -	564	13,181	132,923
West Devon & North Cornwall Farmers - - - - -	369	7,335	69,584
West Hereford & Radnor Farmers - - -	92	2,766	10,083
West Surrey Farmers' Assn. - - - - -	514	688	42,868
Western Farmers - - - - -	84	10,242	113,010
Wiltshire Agric. Co-op. - - - - -	959	6,687	36,423
Yorkshire Farmers - - - - -	792	37,401	331,542

Table continued overleaf.

Name of Society.	No. of Members.	Share Capital Paid up (1923).	Turnover (1923).
REQUISITES AND PRODUCE—continued.		£	£
<i>Welsh :</i>			
Blaenpenal & Dist. Agric. Co-op. -	810	1,422	34,004
Clynderwen & Dist. Farmers' Assn. -	1,202	5,194	77,295
Dinas Powis Farmers - - -	188	1,010	8,992
Eifonydd Farmers' Assn. - - -	665	3,443	49,838
Foel Agric. Co-op. - - -	298	550	20,784
Haverfordwest Agric. Co-op. - - -	764	561	41,727
Llandyssul Agric. - - -	483	310	14,916
Llanybyther Agric. Co-op. - - -	376	826	31,144
Maelor (Flintshire) Agric. Co-op. -	302	3,605	21,522
Montgomery Farmers' Assn. - - -	632	8,860	46,370
Penllyn Agric. Co-op. - - -	257	1,543	10,685
Solva Farmers' Co-op. - - -	199	68	2,811
Vale of Tivy Agric. - - -	858	478	27,241
West Breconshire Farmers' Assn. -	463	3,941	23,005
Wrexham & Dist. Farmers' Co-op. -	217	9,598	40,987
Total - - -	39,081	819,300	6,908,337

Ministry of Agriculture and Fisheries.

REPORT
OF THE COMMITTEE
ON
AGRICULTURAL CREDIT.

Presented to Parliament by Command of His Majesty.



LONDON :

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COMMITTEE ON AGRICULTURAL CREDIT.

REPORT.

To Lieut.-Colonel the Right Hon.

Sir Robert A. Sanders, Bt., T.D., M.P.

Sir,

1. We were invited by your predecessor on the 13th October, 1922, to serve as a Sub-Committee of an Agricultural Committee of the late Cabinet for the purpose of enquiring into the adequacy of the credit facilities available for agriculturists in Great Britain at the present time and to make recommendations. You have intimated your desire and that of His Majesty's present Government that we should continue and complete our investigations.

2. The original terms of our reference were :—

(a.) To examine the means available for the provision of cheaper credit for landowners to be used in productive capital works, such as buildings, drainage, reclamations, &c., and for the provision of short-term credits for farmers to enable them to continue operations.

(b.) To examine the question whether these two objects could best be attained by the establishment, with State assistance, of co-operative Land Banks, and, if so, to elaborate a scheme for the establishment of such Land Banks, and a draft of the constitution of these banks, which could be used in legislation to be introduced next Session.

(c.) To report to the Minister of Agriculture and Fisheries on the above subjects, not later than the 4th November, 1922.

3. With regard to (c), we have since been informed that our deliberations could take the normal course which the dimensions and importance of the subject required, and that the submission of a report by the 4th November was no longer regarded as essential.

4. We are glad to have had this latitude, without which it would have been impossible to carry out a comprehensive survey of the credit facilities at present available for agriculturists or to form any considered judgment as to their sufficiency.

5. We have held twenty-one meetings, and have heard evidence from all parts of Great Britain covering all branches of the industry and all types and classes of agriculturists. We have consulted representatives of the Banks, the Development Commission and various Government Departments.

The expenses incurred by the Committee in the preparation of this Report amount to £92 12s. 11d., of which £24 10s. 0d. represents the cost of the printing and publication of this Report.

6. We now beg to present the following Report :—

I.—INTRODUCTION.

The Function of Credit and the Part that Credit Plays in Agriculture.

7. The cultivation of the ground, including the harvesting of crops and the rearing and management of live-stock, is not only the oldest, but the most widely dispersed occupation of civilised man. The interval between seed time and harvest, between the rearing and killing of beasts, probably necessitated in the earliest times the use of some system of credit. Indeed, it may be assumed that agriculture gave birth to the conception of credit. It is therefore natural that credit should have come to be regarded by the farmer as an essential element in the productive process. Although there has been a tendency in most countries to isolate "agricultural credit" and to treat it as a peculiar credit problem demanding special consideration, fundamentally credit plays the same part in agriculture as it does in any other industry. Credit has been aptly defined as supplying the means whereby the transfer of wealth from one person to another is effected for a period of time, at the end of which it is restored to its owner. Credit cannot directly increase the actual means of production which are potentially at the service of mankind, but credit machinery can and does transfer from one individual to another the right to use these means, and it is therefore both natural and relatively accurate from the individual point of view to regard credit as an important agent in the productive process. Nevertheless, credit is merely another name for someone else's money.

8. An essential factor in credit is trust or confidence in the return to the original owner of the money which has been temporarily placed at the service of the borrower. It is obvious, therefore, that such credit as is available in a country will tend to flow into those channels from which its return will be most certain. Other things being equal, credit will find its way to those who possess the highest credentials and offer the greatest security for the repayment of advances. Now agriculture, though commonly spoken of as though it were a homogeneous industry, covers an immense field of diversified occupations and businesses, in which men of every degree of financial position, skill and condition of life are engaged, and in discussing agricultural credit it is useful to begin by dissociating the conception of credit from the industry of agriculture taken as a whole and to realise that the flow of credit will depend upon the individual factors in each individual case. The precise occupation of the would-be borrower, or the purpose for which he seeks credit, will generally be a lesser consideration in the mind of the hypothetical lender than factors such as the borrower's personal character and general financial circumstances. The agriculturist who is in possession of sufficient personal wealth in one form or another, whether it be in real estate, abundance of stock, or income-producing securities of a readily

marketable character, will normally find little difficulty in mobilising a portion of his fixed wealth by borrowing upon its security, thus obtaining by credit the means to carry out those operations which may be said to be within his means without disturbing his own capital. On the other hand, the impecunious or impoverished producer who may be lacking in skill and character will, if he wishes to undertake an operation on borrowed money, find it difficult, if not impossible, to secure the necessary credit. Between these two extremes lie every possible gradation of case. At the same time, it has to be admitted that there are men with skill and enterprise, good health and abundant energy who, with adequate financial resources, would be in a position to undertake successfully operations which they are unable to carry out for lack of means. There are many such to be found in the ranks of agriculturists—men who have all the qualifications which make for success but who cannot, under existing conditions, obtain the necessary capital. These are the type for whose assistance the State may consider it desirable to promote more adequate credit machinery than exists to-day.

9. We recognise that it is not only in the industry of agriculture that such types may be found, and we are not unmindful of the argument that it is not a proper function of the State to provide money to assist private enterprise. We feel, however, that the case of the agriculturist presents special features entitling him to exceptional and preferential consideration. In the very nature of things the agriculturist is often isolated and remote from the normal opportunities for obtaining credit. Compared with those of the manufacturer and the trader, his operations are complex, long in their cycle and subject to exceptional risks from weather and disease beyond the ordinary ups and downs of prices and wages which he suffers in common with industrialists. For the greater part of the year, and especially when he is most in need of credit, his capital is sunk in forms of wealth, difficult for anyone but an expert to value and not readily chargeable as security for an advance, while his personal training and method of life are not such as to fit him to surmount these natural disadvantages and to establish that position in the credit market to which his financial stability and high standard of probity generally entitle him. But beyond all these considerations, the deep importance to the welfare of the nation of a prosperous agriculture warrants a peculiar interest being devoted by the State to the financial position of the food producer, an interest all the more necessary in a country whose population is predominantly engaged in urban pursuits and, consequently, slow to appreciate, except in times of grave national peril, the significance of agricultural prosperity to the well-being of the nation as a whole.

10. The fundamental difficulty in devising any system of credit for agriculturè lies to-day in the uncertainty of the economic outlook. As we have already said, trust and confidence are the essence of credit, but the market prices of many agricultural products have recently fallen below the cost of production and production

continued under such conditions spells loss and ultimate bankruptcy. Without collateral security credit is shy of such conditions. The effect of establishing a widespread system of easily obtainable credit for an industry that is sick, while it is still sick, may be to throw good money after bad and instead of proving a boon it may well accentuate the disease.

11. It is also of the utmost importance that the country as a whole and the agricultural interests in particular should not be led to believe that in easily obtainable credit there lies a panacea for the ills from which agriculture suffers to-day. What is of vital importance is that agriculture should be made to pay. Credit alone cannot convert an unprofitable industry into a profitable one. Credit may enable an individual to make a certain operation pay which might not otherwise pay, or might not otherwise be undertaken at all, and the price which the producer has to pay for credit may just turn the scale towards profit or loss in his own case. Viewed in this way, credit may be an important factor in the cost of production in individual cases, but it is mainly in other directions that a solution must be sought of the difficult problem of how agriculture generally can be made to pay, and these lie beyond our province. We were appointed to consider within very limited terms of reference specific questions as to the availability of credit in certain cases, and we have confined our attention to these matters. But we feel bound to point out that to the extent that agriculture can be made to pay it will tend to attract naturally both capital and credit. What British agriculture really needs is not the expedient of artificially created credit, but to be placed on such a footing that credit and capital will flow into the industry through normal channels stimulated by that trust and confidence without which credit ceases to be credit and becomes a species of dole.

II.—ANALYSIS OF CREDIT NEEDS.

12. The normal credit requirements of agriculturists can be broadly divided into the two classes referred to in our terms of reference, namely :—

(1.) *Long-term credit*—

- (A.) For landowners, to be used in productive capital works.
- (B.) For tenant farmers purchasing the freehold of their farms.

(2.) *Short-term credit* for farmers to meet current outgoings and to facilitate the production and the marketing of their products.

It is essential to a proper understanding of the subject to consider these two main classes of credit in some detail, and it will be convenient to deal with them separately.

III.—LONG-TERM CREDIT.

(A.)—Credit for Improvements.

13. Long-term credit for improvements is required by landowners from time to time for various capital works, such as drainage, reclamation, the erection and extension of farm buildings and cottages and the provision of water supply. Many landowners, even in pre-war days, could not meet the cost of these works out of current income, and, owing to increased taxation and to the increased cost of living, very few can do so to-day. Money for these purposes is, of course, often raised by bank loans or overdrafts, or by private mortgages, but it has long been recognised that this class of business presented a promising field of activity for special institutions. The General Land Drainage Company was formed for this purpose under statutory authority in 1849, the Lands Improvement Company in 1853, the Scottish Drainage and Improvement Company in 1856 and the Land Loan and Enfranchisement Company in 1860. The Lands Improvement Company has since absorbed the first and last of these undertakings. The Improvement of Land Act, which was passed in 1864, authorised landowners to raise loans and to charge their estates in the same way as provided under the Acts of the various Companies referred to. The Lands Improvement Company has advanced during the seventy years of its existence some £13,000,000, and so far few, if any, losses have been incurred. During the war the business of the Company was practically suspended, partly owing to the rate of interest chargeable on loans being limited under Statute by a maximum of 5 per cent. and partly owing to the general discouragement of avoidable expenditure on works of this character. The operations of the Scottish Company were suspended for the same reasons. In 1920 the English Company was successful in obtaining an amending Act (10 & 11 Geo. V, c. 11), the effect of which was to replace the old maximum rate of 5 per cent. by such rate of interest as the Ministry of Agriculture may approve. The English Company also operates in Scotland.

14. The business of the Lands Improvement Company has revived considerably since the war and it is performing a useful function. Its *modus operandi* is very simple, and it is worthy of note that small owners are now making more use of the Company than formerly. Money is advanced for the erection and extension of farm buildings and cottages, for the making of roads, sewers, drains, &c., and for the erection of silos. Applications received from landowners are forwarded to the Ministry of Agriculture, or, in the case of Scotland, to the Board of Agriculture for Scotland, for the issue of a Provisional Order that the property concerned will *primâ facie* be improved at least to the extent of the proposed increased charge. An inspector of the Department visits the property, and, if his report is satisfactory, a Provisional Order is issued. This is the authority to proceed. On the completion of the work, the Department concerned, after further inspection, issues a final certificate making the capital sum advanced a charge on the

property ranking, prior to existing mortgages and settlements, but after quit rents, Crown rents or tithe rent-charge payable out of the land. The interest of the holders of prior charges are fully safeguarded by this process of statutory certification. The loans are repayable by an annuity over a prescribed period which varies from fifteen to forty years, according to the nature of the improvement, interest being charged at present at $4\frac{1}{2}$ per cent. net; after deduction of tax, which represents a gross rate of about 6 per cent. per annum. In addition, the Company charges 5 per cent. commission on the total sum advanced, and the Department a fee of $\frac{1}{2}$ per cent. on the cost of the work and also the expenses of inspection. These expenses, together with the cost of registration and stamp duty, are added to the capital sum borrowed. No proof of title is required, a certificate of the receipt of rents and profits being the only evidence asked for and the whole business is carried through with private capital without any State guarantee.

15. We were informed that the mortgages contracted are readily assignable to leading insurance companies, and it will be seen therefore that the resources of the Lands Improvement Company are practically unlimited, whilst from the point of view of security its advances are in almost every case covered many times over by the total value of the properties concerned. In view of the first-class nature of the securities offered, credit flows normally and easily into the business.

16. We endorse the view expressed in 1918 by the Agricultural Policy Sub-Committee of the Reconstruction Committee that the principle underlying the Improvement of Land Act is sound. We can conceive of no method on an economic basis for the provision of capital for permanent improvements which would be more advantageous than that by which the Lands Improvement Company operates. In view of the ample security offered, we are inclined to think that the Company ought now to be able to borrow money at about 5 per cent., but in all other respects the arrangements seem to us to be satisfactory.

17. Under the general statute other organisations may establish machinery, find money for this kind of business and operate under the aegis of the State as in the case of the existing Company. The drawback, however, is the fixed rate of interest of 5 per cent. in the general statute. As previously stated, the Lands Improvement Company has obtained special statutory authority to charge a rate in excess of this figure, and hence, to that extent, the Company is virtually in a monopolistic position at the present time. We see no reason to suppose that this is operating in any way adversely to the general interests of borrowers. Applications for loans appear to receive prompt attention and no reasonable applications are refused. On the receipt of the Ministry's certificate, money is advanced without delay and, if necessary, during the actual progress of the work. We have, however, been impressed by the fact that land-owners do not avail themselves more largely and generally of the Lands Improvement Company's aid. No doubt, in many cases,

landowners, other than tenants for life, feel some repugnance at imposing burdens of a recurring nature on their estates. On the other hand, we feel that the facilities which the Company is in a position to offer would be more frequently used if they were better understood and more universally known.

Recommendations.

18. We recommend that the Improvement of Land Acts should be amended to empower any association operating under those statutes to charge such rate of interest as the Ministry of Agriculture or the Board of Agriculture for Scotland may approve. We also recommend that the Lands Improvement Company should be urged to consider the means of bringing the scope and advantages of its operations more prominently before the notice of the owners of agricultural estates than is the case at the present time.

IV.—LONG-TERM CREDIT.

(B.)—*For Land Purchase.*

19. There is a further class of long-term credit demand which has been accentuated by the peculiar circumstances of those tenant farmers who, having purchased their holdings during recent years, now find themselves in consequence short of working capital. We are aware that such credit cannot normally be strictly deemed agricultural credit. It is, in fact, pure Land Mortgage, and is in quite a different category from credit for agricultural purposes. We were not specifically directed by our terms of reference to consider this phase of the credit problem, but we feel that the "short-term" needs of these men for agricultural purposes are so intimately bound up with the depletion of their resources due to purchase that it is impossible to consider the one question without being brought face to face with the other.

20. The owner-occupier is in the same position as the landowner in that he has, in his land, an absolutely first-class security to offer. The difficulty, however, in his case is that no adequate machinery has been established in this country for the purpose of granting long-term loans on real estate of which tenant farmers who have bought or wish to buy their holdings can avail themselves, and, consequently, a large number of the new owner-occupiers in the country have pledged their title-deeds as security for temporary loans of uncertain duration which they raised in order to complete their purchases. The problem is one to which we have devoted very careful consideration, and we feel it desirable to draw attention to the special features of the case as they have presented themselves to us.

Recent Increase in Occupying-Ownership in Great Britain.

21. The Statistics of the Ministry of Agriculture and Fisheries for 1921 (England and Wales) reveal an increase of over 21,000 in the number of holdings owned or mainly owned by their occupiers

as compared with 1914. The increase in acreage owned is over $2\frac{1}{4}$ millions. In Scotland, the number of owner-occupiers has increased by about 1,600 during the same period. The majority of these purchases took place between June 1919 and June 1921. The latest statistics of the Ministry of Agriculture, compiled from returns dated the 3rd June, 1922, show that this figure of 21,000 new owner-occupiers for England and Wales had undergone a reduction during the preceding year by about one-third and now stands at approximately 13,500, while the acreage involved had been reduced from $2\frac{1}{4}$ millions to 1,700,000 acres. We mention these figures in order primarily to show that the special problem of credit for the new owner-occupier is not one of large dimensions, but stands within well-defined limits. We think also that the somewhat surprising reduction in the number of new owner-occupiers referred to may not be without significance and may point to the possibility of certain purchasers having bought with the intention of reselling and having since been obliged to let the farms, and also to some of the owner-occupiers having been forced to retire from farming owing to its general unprofitability and to the new and onerous obligations which they, in many cases, unavoidably assumed in circumstances of extreme difficulty.

Economic Reasons for the Increase in Occupying Ownership.

22. The increase in occupying-ownership arose mainly from the necessity with which landowners were confronted of selling their estates and diverting their capital to a remunerative form of investment. This, of itself, was no new feature. Indeed, as far back as 1911 a marked increase was noticeable in the number of agricultural estates offered for sale. This increase was considered then to be partly due to a feeling of apprehension among landowners as to the tendency of legislation and taxation in regard to land, and partly to the opportunities then existing of disposing of agricultural estates on favourable terms. The crushing demands of war taxation hastened the process and many landowners saw in the general rise in the value of agricultural real estate an opportunity to relieve themselves of the unremunerative duties of ownership and to sell their estates on a rising market at considerable personal advantage. Increased returns could no doubt have been obtained by raising rents, but farmers, as a whole, had shown some hostility to the proposal, and for personal reasons many landowners hesitated to take this course. The keen demand which, on the other hand, had existed since 1910 for the purchase of farms had been stimulated during the war by the prevailing high prices and the prospects of continued prosperity. The resultant competition among purchasers was, moreover, increased in 1919 and 1920 by the entry into the market of the County Councils, who bought extensively for purposes of Land Settlement. We consider, therefore, that farmers were as much pressed to purchase by the keenness of the demand for land for occupation as they were by the landowners who wished to sell. In many cases they bought in order to avoid being turned out of the homes which their families had occupied for generations.

Political Factors.

23. The political circumstances must be considered in the light of their reaction from a business standpoint. During the war, the whole nation demanded a maximum output of foodstuffs from the land. The successful prosecution of the war was the dominating circumstance. Farmers were urged to increase their acreage under the plough and were promised security against resultant losses. These promises were confirmed by legislation, firstly and temporarily in 1917, and finally, as a feature of permanent agricultural policy, in December 1920. When the Corn Production Act of 1917 was before the House of Commons, farmers were assured that "whatever befalls, agriculture will never again be neglected by any Government." In October 1919 a speech delivered by the late Prime Minister at the Caxton Hall, Westminster, gave farmers reasonable assurance that the prices of the staple products of their farms would be maintained at a level which, if markets fell, would, at least, safeguard them against serious loss. It was in accordance with this spirit that the Agriculture Act of 1920 was placed upon the Statute Book. In the case of wheat and oats, the Act established, for a period of at least five years, guaranteed minimum prices on a sliding scale based on the 1919 costs of production. These statutory guarantees were repealed in 1921 on grounds of financial exigency.

24. There is, in our opinion, little doubt that in certain individual cases purchasers were directly influenced by the Corn Production and Agriculture Acts if not actually to embark on ownership, at any rate to pay a higher price for their farms than in other circumstances they would have been prepared to offer. In this connection, a special Sub-Committee of the statutory Agricultural Advisory Committee for England and Wales which considered this question in February 1922 reported that "the plea that the farmer was induced to buy his land by the representations made by the Government has undoubtedly a solid foundation." In these circumstances it follows that where it is claimed that individual farmers definitely bought on the strength of the Government guarantees no satisfactory reply can, from the nature of things, be made, and where such men are now in a serious financial condition as a result of their new commitments, the case for the most sympathetic consideration of their difficulties is similarly unanswerable. We are reinforced in this view by the following extract from a speech which the present Prime Minister made in the House of Commons on the 5th December last, when he said: "Then there is another evil, almost as important, which requires a remedy. As the result of our Agricultural Bill, apart from the general evils from which our farmers are suffering, they were encouraged to buy their farms at what are now absurdly high prices. They are suffering from it terribly, and, therefore, credit facilities are needed, not only for them, but all round."

Financial Situation of the New Owner-Occupiers.

25. It is obvious that as farmers, generally, are in a difficult position at the present time, the financial situation of many of the new owner-occupiers, some of whom were driven into ownership without an opportunity for mature consideration, must be even more precarious. In this connection, the following factors are important:—

26.—(a.) *Price at which Land was Bought.*—It is impossible to fix any universally applicable figure as an index of the degree of inflation in the value of agricultural land during the recent selling boom. Prices varied from month to month, from county to county, and from farm to farm. In some parts of England land was sold for £25 and £30 an acre which was worth £20 an acre before 1914. In Lincolnshire, the price of land advanced in some cases over 50 per cent. above the pre-war figure. In other cases farmers paid fancy prices with insufficient regard to prospective values. Taking everything into consideration, there is no doubt that the war-time prosperity of the industry, coupled with the Government guarantees, resulted in a general rise in the value of agricultural real estate, and that the new owner-occupiers, in most cases, bought on the basis of this enhanced value and, in some cases, at prices far in excess. It should be noted, however, that the price of land did not rise to anything like the same extent as the prices of commodities generally.

27.—(b.) *Extent to which Money was Borrowed from Various Sources.*—Apart from the comparatively few cases in which farms were bought outright, either from accumulated capital entirely or from accumulated capital combined with a sacrifice of some of the movable equipment of the farm such as live-stock, &c., the more important sources of accommodation were as follows:—

Banks.—There is evidence that in England and Wales nearly one-half of the purchase money in the aggregate was advanced by the Banks. In Scotland, on the other hand, the Banks did not lend on heritable security to such a great extent. The English Banks lent money freely by means of overdrafts. This source of credit had many attractions for the farmer. Secrecy was ensured, and the arrangements were elastic, the loan being repayable in instalments at convenience. Moreover, the initial expenses were negligible as compared with a legally-drawn mortgage. The Banks appear to have lent anything up to the full price of the farms according to circumstances, though usually there was a margin of at least 25 per cent. which the farmer found from his own resources.

Relatives and Friends.—The probability is that the purchase of many farms was made on a purely family basis. This is a time-honoured and well-known method of raising money amongst the farming community. In individual cases few, if any, persons outside the family know the proportions of the loan, or its conditions, until a death occurs or a settlement has to be made for other reasons. This source of credit possesses all the advantages of secrecy and cheapness associated with bank overdrafts.

Solicitors (as an investment for Trustee-funds).—Loans raised from Trustee-funds amounted in the aggregate to considerable sums of money. They were contracted usually on the basis of legally-drawn mortgages and were not repayable by annual or other instalments, but were withdrawable at three months' notice.

Other Sources.—In many cases, vendors "left" a portion of the selling-price with the purchasers. Other sources from which farmers obtained money to complete their purchases were the Farmers' Land Purchase Company and, particularly in Scotland, various insurance companies.

28.—(c.) *Rates of Interest charged.*—

Banks.—The rate of interest charged by Banks varied from 6 per cent. to $6\frac{1}{2}$ per cent. This has since been reduced to from 5 per cent. to $5\frac{1}{2}$ per cent. The usual charge for overdrafts appears to be $\frac{1}{2}$ per cent. to 1 per cent. above bank rate, with a minimum of 5 per cent.

Relatives and Friends.—This was naturally the cheapest form of accommodation. In many cases farmers lent to each other at 4 per cent. to $4\frac{1}{2}$ per cent.

Solicitors lent Trustee-funds at 6 per cent. to 7 per cent. without redemption. In some cases these rates have been reduced by 1 per cent., but it has been represented that a reduction is difficult to bring about. These mortgage contracts often involved farmers in considerable expenses and procuration fees.

Vendors appear to have lent money at a general rate of 5 per cent.

The Farmers' Land Purchase Company charged a net rate of $4\frac{1}{2}$ per cent. to 5 per cent., after deducting income tax (representing a gross figure of 6 per cent. to $6\frac{1}{2}$ per cent.) plus a half-yearly repayment of $2\frac{1}{2}$ per cent. of capital. Where endowment policies were insisted on by assignees, the rates charged to the farmer were proportionately higher.

Insurance Companies charged the market rate of interest plus a fluctuating charge in respect of life insurance depending on the age of the borrower.

29.—(d.) *Decline in the Value of Agricultural Land.*—Since 1920, as a result of prevailing economic conditions, there has been a steady decline in the value of agricultural real estate. The greatest fall in value has been on land which is expensive to cultivate. Apart from Lincolnshire, however, where, owing to exceptional circumstances, land has dropped more than 90 per cent., the depreciation even of strong arable land has not exceeded 25 per cent. The average drop in the value of land generally would appear to be not more than from 15 per cent. to 20 per cent.

30.—(e.) *Present Attitude of Lenders.*—So far as we have been able to ascertain, the attitude of the various categories of lenders is, at present, as follows:—

Banks.—It has been represented to us that the Banks are not bringing pressure to bear on new owner-occupiers to reduce overdrafts; that it would be inimical to their immediate interests

to do so, and that it would be bad business in the long run to take any action which would break farmer after farmer throughout the length and breadth of the country. The conditions on which the Banks advanced money were essentially those for short-term loans. It was specified, in many cases, that advances were to be repaid in six to twelve months. This, however, was merely a customary precaution and, as yet, the Banks do not appear to have exercised to any considerable extent their right to call in their money. At the same time, it has to be borne in mind that the Banks are not in a position to lend money on long-term mortgages. Having regard to their obligations to their depositors, they are bound to keep their money within reasonably short call. They realise, however, that agriculture is in a bad way, and that its revival will be later than that of other industries. Moreover, to call in their loans too drastically would probably involve the Banks in heavy losses. Their present policy is, therefore, to nurse farmers by reducing interest whenever possible and generally to keep them going, even though, in some cases, the Banks are receiving no interest and no repayment of principal. They would, however, naturally prefer to see the outstanding loans paid off as soon as possible, and, if a farmer is doing well, they will probably suggest, after a time, that he should effect a permanent mortgage elsewhere for the amount of his loan outstanding. We are aware that it has been argued that the present quiescence of the Banks is due to the absence of demand for money in other directions and that when trade revives they will be anxious to recover their loans and will bring stronger pressure to bear on farmers to reduce their overdrafts. We are satisfied, however, that, taking everything into consideration, the Banks are handling the situation with patience and forbearance and are showing reasonable consideration within the recognised principles of sound banking.

Solicitors (in respect of Trustee-funds).—Occasional calling-in is a characteristic of loans from Trustee-funds owing to adjustments of the Trust due to deaths, marriages, &c. At present such loans are not being called-in to any abnormal extent, and there is no general tendency on the part of mortgagees to foreclose. If the present depression continues, mortgagees may, however, foreclose in order to avoid further loss and so involve the farmers concerned in heavy renewal or replacement charges.

Other Lenders.—Mortgages contracted through Insurance Companies and through the Farmers' Land Purchase Company are not ordinarily liable to be called-in and no difficulties arise with regard to these loans. Nor have landowners shown any marked anxiety to require repayment of sums advanced at the time of purchase. On the other hand, there is evidence that loans derived from wholly private sources are, in many cases, being called-in for reasons, no doubt, of personal necessity.

Résumé of Financial Position of New Owner-Occupiers.

81. From the foregoing, it is clear that in the great majority of cases the new owner-occupiers are in a state of great uncertainty

as to the tenure of their loans. It is equally clear from evidence that we have received that owing to the existing depression, and to the heavy annual charges which they have now to meet in respect of interest on borrowed money, tithe, repairs, improvements, &c., they are finding the greatest difficulty in making both ends meet. A few farmers paid off their loans entirely soon after the purchase of their holdings, particularly those who bought in 1917 and 1918, when big profits were still being made. A considerable number of borrowers have paid off part of their loans, so that the amount outstanding in their case no longer represents any large proportion of the value of the properties concerned. Both these classes are in a fairly sound position. It is probable, however, that the great majority of the new owner-occupiers borrowed as much as two-thirds of the purchase price, and, as a result, have incurred annual charges which are far in excess of the economic rents of the holdings, and in many cases amount to as much as double the pre-war rentals. This is particularly so in cases where high prices were paid. It would appear that those farmers who bought at exceptionally high prices and were unable to find more than a small proportion of the purchase price cannot be relieved from the consequences of their action. They made bad investments, in the first instance, and nothing short of a free grant from public funds can save them from disaster.

Effect on Production.

32. It is important to examine the general effect which the impecunious condition of the new owner-occupiers is exerting and will no doubt continue to exert on the agricultural output of the country. There is abundant evidence that the employment-giving and productive capacity of the new owner-occupiers have been fettered by lack of the capital which they have sunk in the purchase of their farms and by the uncertainty they feel as to the duration of their loans. Instead of being in a position to increase their circulating capital, i.e., capital required for wages, seeds, fertilisers, feeding-stuffs, &c., these farmers, if they succeed, have to devote their profits largely to reduction of their overdrafts or to the repayment, in large instalments, of the capital borrowed from other sources. This obviously involves running their farms on less productive methods than normally, and though this is defensible as a sound, and indeed almost inevitable, treatment of the individual business problem, it has reactions on national welfare which are clearly detrimental.

The Case for Helping the New Owner-Occupiers.

33. Briefly, the arguments in favour of State intervention are:—

- (a.) The obligations of the State towards farmers who bought in good faith relying on the permanence of the Government promises.

- (b.) The adverse effect on production and employment now and in the future of allowing these men to remain in their present position of difficulty and uncertainty.

34. We are satisfied that existing machinery does not adequately meet the situation. Bank overdrafts and loans from private sources are of an essentially temporary character, mortgages from Trust funds are capricious and the Farmers' Land Purchase Company is finding difficulty, we are informed, in raising sufficient capital to extend its activities. We have therefore addressed ourselves to the problem of devising means by which the more deserving cases can be assisted out of their present difficulties.

Facilities in other Countries.

35. In this connection we have been impressed by the extent to which nearly all progressive countries in both hemispheres have created special and permanent machinery under the auspices of the State to facilitate the provision of long-term mortgage-credit for agriculturists. We find that in Germany, for instance, long-term credit is available either through the *Landschaften*, which are co-operative associations of landowners operating under State supervision and dating back to the middle of the eighteenth century, or through the agency of provincial and State-endowed Mortgage-Credit Banks or through the ordinary Joint-Stock and Savings Banks. Similar arrangements have been made, to a greater or less extent, in other European countries, and ample provision also appears to exist in the United States and Canada. Many of the agencies employed are of a non-profit-seeking character. They grant loans up to two-thirds of the property valuation on first mortgage at moderate and fixed rates of interest, the loans being repayable by small annual instalments over a fixed period, though mortgagors have the privilege of paying off the whole or part of the loan at any time on short notice.

36. It is curious that no corresponding facilities exist in this country. The problem, in its general aspects, is no new one. A Committee under the Chairmanship of the late Lord Haversham enquired in 1911 into the position of tenant farmers on the occasion of any change in the ownership of their holdings. This Committee recommended the establishment of a State-assisted Land Bank or Institution to lend money to the farmer to enable him to purchase his holding. We are unable to go as far as that Committee in recommending State assistance for land purchase generally. Not only are the relative advantages of ownership and tenancy still a highly controversial subject, but it would appear that the effect of lending money on easy terms may lead to the tenant paying a higher price than he would otherwise do. We consider that in the present financial circumstances State assistance should be confined to those who contracted to purchase their holdings between the dates of the passing of the Corn Production Act, 1917, and the passing of the Corn Production Acts (Repeal) Act of 1921, that is to say, those who

may be said to have purchased their farms relying on the continuance of State guarantees.

Proposal.

37. To meet the case of these occupying-owners we make the following concrete proposal:—

That Statutory Authority should be obtained under which approved Mortgage Societies or Institutions should be granted a measure of State assistance by way of loans and guarantees under regulations to be made by the Treasury.

We suggest that these regulations should contain, *inter alia*, the following specific provisions:—

- (a.) The State to guarantee the interest and capital for the lifetime of special issues of Debentures made by such approved Societies, the proceeds of such issues being used by the Societies as a fund for loans on approved mortgages on agricultural holdings purchased by farmers between the date of the passing of the Corn Production Act, 1917, and the passing of the Corn Production Acts (Repeal) Act, 1921.
- (b.) The Debentures to be redeemed by drawings within a period not exceeding forty years out of the proceeds of repayments of the loans by the mortgagors, the liability of the State in respect to such Debentures thus ceasing automatically.
- (c.) The loans to mortgagors to be made by the Society at a rate of interest not more than $\frac{1}{2}$ per cent. above the rate of interest at which it is able to borrow, and to be repaid by the mortgagors within the period of the lifetime of the Debentures.
- (d.) Loans to mortgagors not to exceed 75 per cent. of the present value of the security, and to be repayable by equal half-yearly instalments calculated on an annuity basis on the $4\frac{1}{2}$ per cent. tables within such periods as may be agreed, but not exceeding the lifetime of the Debentures.
- (e.) The expenses of the Society in connection with the granting of the loans to be added to the amount borrowed and to be fixed by scales approved by the Treasury on the advice of the Ministry of Agriculture and the Board of Agriculture for Scotland.
- (f.) The $\frac{1}{2}$ per cent. margin between the interest paid by the mortgagors and the cost of the money to the Society to be divided into equal moieties. One-quarter per cent. to be paid to the State and set aside to constitute a reserve fund against any possible call upon the State guarantee. The remaining $\frac{1}{4}$ per cent. to be retained by the Society to cover expenses and management.
- (g.) The reserve fund to be retained by the State until the whole of the Debentures have been redeemed, and any balance

of the fund, after deductions to meet deficits of interest on the Debentures, to be paid to the Society.

- (h.) The constitution and capitalisation of the Society to be approved by the Treasury, and the interest payable on any private share or loan capital of the Society not to exceed such rate as may from time to time be fixed by the Treasury.

The detailed regulations would have to be worked out by negotiation, but we are of opinion that the above provisions form a fair and workable basis.

38. An approved Society should be able to place a guaranteed issue of Debentures on terms which, after covering the expenses of the issue, would give them the necessary capital at an interest not exceeding 5 per cent. The mortgagor would thus have to pay $5\frac{1}{2}$ per cent. plus amortisation. If a period of forty years is allowed for the repayment of the loan the total annual charge to the borrower would be £6 8s. 3d. per cent. per annum.

39. We recommend that at the outset the capital should be issued to the Society or Societies by the Public Works Loan Board, and that the issue of State-guaranteed Debentures should be made when a sufficiently large sum has been lent to any individual Society from this source. We regard it as essential to the successful issue of any guaranteed stock that it should be of sufficient dimensions to be handled economically and to enable a market in the stock to be created. Not only is the expense of handling a small issue relatively much heavier than a large issue, but the status of the stock on the market will depend to a large extent on its bulk.

40. We are satisfied that the method by which the State first lends the money and subsequently replaces the loan by a State-guaranteed issue of Debentures is preferable to a State loan for the whole period. It will accustom the market to this type of security and encourage the Society or Societies to make further issues at a later date without the guarantee of the State should they desire to extend their operations beyond the restricted group of purchasers to whom we have referred.

41. We are confident that an arrangement such as that outlined above will be of real and lasting benefit to the great majority of the new owner-occupiers. We are under no delusion as to the extent of the limitation imposed by our recommendation that the capital sum advanced in each case shall not exceed 75 per cent. of the *present value* of the holdings. We fully realise that this proposal will not help those farmers who made grossly injudicious purchases and borrowed the greater portion of the money for the purpose. On the other hand, the proposal will help materially those who found, or have since paid off, a reasonable proportion of the purchase money, and it will relieve them of their present grave anxiety as to the duration of their outstanding loans. It will also enable many farmers who have fixed irreducible mortgages to take up loans of a reducible character. We believe that farmers, generally, will

welcome the opportunity which the scheme affords of paying off a small portion of the loan each year, instead of discharging their liabilities by the payment of lump sums as and when required. They will feel that under the scheme their indebtedness is a diminishing factor, and they will be encouraged to make good in the knowledge that their position is improving year by year. We suggest that borrowers should be enabled, if they so desire, to pay off the whole of the balance of the outstanding loans whenever they find themselves in a position to do so.

42. We are aware that in most cases a rate of interest and sinking fund of £6 8s. 3d. per cent. per annum will be in excess of the cost of the temporary accommodation which these farmers have obtained. We see no reason to suppose, however, that those whom the scheme is designed to benefit will find the added cost a burden of undue magnitude, or that they will not readily assume the increased annual charges having regard to the substantial and permanent nature of the advantages conferred.

43. As an example of the way in which the scheme will operate, we cannot do better than quote the following concrete case which has been brought to our notice. A farm, the value of which may be taken as £12,000, was recently purchased by the tenant, who raised £9,500 on mortgage for the purpose. The mortgage debt has been reduced from time to time, and the principal sum now owing is £7,470. This is repayable by half-yearly payments of £237 10s., making £475 per annum in all. In addition the interest charge for the current year will amount to approximately £440. The total outgoings for the current year in respect of the loan amount, therefore, to £915. Owing to the fall in prices, and to the fact that the farmer concerned is being pressed to reduce his Bank overdraft, he is finding difficulty in making both ends meet. Under the scheme we have proposed he will be enabled to contract a fresh loan for £9,000 on which his total annual payments on a forty-year basis will amount to £576 as against £915 at present. He will also be able to liquidate his present loan of £7,470, and, in addition, fully satisfy the Bank by substantially reducing his overdraft.

44. We are of opinion that loans not exceeding 75 per cent. of present value will be found to be well secured as to capital. The remarkable stability of the value of agricultural land, both at times of high farming profits and in the face of agricultural depression, is due to the fact that the market value of land at any given date reflects opinion as to the whole future revenues or profits which the occupation of the land may afford. Capital values are based on the long view and are not greatly affected by ephemeral conditions. We are also of opinion that the world-wide phenomenon which we have recently experienced of the prices of agricultural produce falling below the cost of production cannot continue and that the position is bound to adjust itself in such a way that profits will be made in agriculture in the future as in the past.

45. We do not consider, therefore, that the liability of the State under the scheme will prove to be serious. We have endeavoured

to frame our proposals on sound business lines and we are not without hope that the success of the scheme in dealing with the war purchases will stimulate the establishment of machinery of wider scope to afford facilities to tenant farmers who may desire or find it necessary to purchase their holdings in future years. We see no reason why, after a little experience of the present scheme, the approved Society or Societies should not be able to raise capital on reasonable terms in the open market, without a State guarantee, to enable them to undertake, concurrently with this scheme, the business of financing land purchase in other cases.

46. Finally, we desire to draw attention to the fact that the Farmers' Land Purchase Company, incorporated under an Act of 1920 (10 and 11 Geo. V, c. 50), is already doing business somewhat on the lines of that which we have suggested. Advances are made upon approved security up to 75 per cent. of the purchase money at a fixed rate of interest, repayable by half-yearly instalments of capital spread over a period of twenty years. The Company has contracted loans so far to the extent of approximately £500,000, but it has had to refuse applications amounting to £5,000,000 to £6,000,000 owing to lack of resources. The Company is not a Public Utility Company, but we understand that it would be prepared to subject itself to a proviso that its Dividend should be limited to a figure approved by the Treasury, providing it received some measure of State assistance and recognition. It will be observed that our scheme makes it possible for this Company to obtain such assistance, though its terms do not preclude the recognition of other similar Companies.

V.—Short-Term Credit for Farmers to Meet their Current Needs.

47. This division of our subject represents the main problem of agricultural credit and is of the greatest importance to the agricultural community as a whole.

48. Credit for a comparatively short period is often of assistance to farmers for the purchase of seeds, fertilisers, feeding-stuffs, seasonal stock and equipment, and for the purpose of enabling them to arrange the systematic marketing of their produce. In the nature of things, loans are also needed by farmers in the course of their operations for purposes which are not strictly seasonal, in the sense that the period necessary to secure for the farmer a turnover on the outlay involved may extend from one to five years. The main purposes for which accommodation of this nature is required are for the initial purchase by breeders and dairy farmers of foundation stock, the purchase of machinery and implements, and the execution by tenant farmers of minor improvements such as additional fencing or drainage, or the erection of silos and Dutch barns. Improvements of this nature have frequently to be undertaken by tenants owing, in many cases, to the reluctance of landowners to impose further charges on their estates.

49. We have carefully considered the facilities at present available for farmers for these purposes, the attitude of the lenders and the general adequacy of these facilities, having regard to present and potential requirements.

Existing Facilities.

50. The main sources whence farmers derive short-term credit at the present time are (i) Banks, by means of loans, or overdrafts on accounts, and (ii) auctioneers, seedsmen, manure-merchants, traders, dealers and private money-lenders.

51.—(i.) *Banks.*—The Banks are obviously interested in the development and maintenance of the trade of the country. They are out to increase their business and their profits, and, within the limitations of ordinary business risks, it is only logical to assume that they are making every effort to meet the short-term credit requirements of the agricultural industry. There is, however, considerable conflict of opinion as to whether they treat agriculture as sympathetically as they do the urban interests. The main indictment against the Banks appears to rest on their alleged indifference to the interests and needs of agriculture. It is held that since the disappearance of the old country Banks and their absorption by the big Joint Stock establishments, whose policies are directed from London on more or less rigid lines, there is a growing tendency for the Banks to handle agricultural loans on a hard-and-fast commercial basis which is inapplicable to rural conditions and to impose unfavourable terms. It is asserted that the local managers, who have been substituted for the old type of country banker, have less discretion with regard to loans, being unable to make advances beyond small limits without reference to London, and that they are moved about from branch to branch and often do not acquire that intimate local and personal knowledge which is so essential to a proper appreciation of the credit status of their farmer customers. A further complaint against the present banking system is that the deposits received from rural areas are not returned to fructify in the countryside, but are diverted to urban areas and monopolised by the Banks for commercial and speculative purposes at home and abroad.

52. It is important to realise that these charges of unsympathetic policy, unfamiliar managers and discrimination in favour of commercial investments are not of recent origin, but have been preferred, in a general way, against the Joint Stock banking system. They are not, therefore, special features of the crisis through which agriculture is now passing.

53. On behalf of the Banks, it has been pointed out that relatively more agricultural loans are, in fact, outstanding to-day than in the days of the small private Banks. The fact that all applications for overdrafts are referred to the Head Office for approval no doubt accounts for some of the criticism to which the Banks have been subjected, though, in actual practice, the older and more experienced managers are allowed considerable latitude.

Moreover, where applications are refused, it is possible that the local managers seek refuge from the unpopularity of adverse decisions by throwing the onus on to the Head Office. The Banks have always regarded the farmer as a good customer and they are anxious to maintain and, where possible, to develop their agricultural connection, there being very keen competition between them for that purpose. They claim to appreciate fully the farmer's difficulties at the present time, and their policy is to be as helpful as possible, consistent with their responsibility to their depositors. With the great majority of farmers an overdraft is a routine arrangement for a part of the year. The farmer who is enterprising, keeps books and knows his way about the world, has little difficulty in obtaining credit, and even the less enterprising type of farmer is more afraid of the Bank than the Bank is shy of him. In some cases of complaint, it transpires that the farmer is carrying on some other business, doing badly at it, and trying to play off one Bank against another. To any ordinary farmer, of whom the Banks have personal knowledge, they would, if necessary, give credit on his crops alone, although they can take no legal charge. In the fruit-growing districts of Evesham and Pershore, for instance, growers obtain credit from the Banks on what the manager can see for himself on the trees. The Banks realise that the liquidation of agricultural loans is a longer process, as a rule, than the repayment of purely commercial advances, but there is a constant ebb and flow of money from and into the farmer's account which means good business, although the loan account may not be cleared rapidly. In the country districts, an overdraft, unspecified as regards purpose, is more common than definite loans for particular requirements. The overdraft is reduced or extended according to the daily or weekly alternations of receipts and expenditure of the farmer concerned. It is an essentially elastic arrangement, affording both secrecy and simplicity, and one pre-eminently suited to rural conditions. Moreover, it is the cheapest way of obtaining money; the normal rate of interest is 1 per cent. above Bank rate, though it is understood that a minimum of 5 per cent. is almost invariably fixed; interest is only charged on the net amount outstanding from day to day and there are no legal or procuration charges such as are usually associated with the advance of money from other sources. If the account is remunerative, no charge for keeping it is made. If it bears an overdraft, the charge, apart from interest, is only the bare cost of keeping it. The complaints that incidental Bank charges are excessive are generally without foundation. With regard to managers, there is admittedly a tendency for more changes to be made in the managerships of the country branches than in the days before amalgamation, as these appointments are now open to a wider field. A large number of the old managers are, however, still in office. As far as promotion difficulties will permit, the Banks endeavour to retain the staff in the districts to which they belong, and even in those cases where a townsman is appointed to a county branch, he is first attached

in a supernumerary capacity to study the local characteristics of the business before he is allowed to take over. Admittedly, the old country banker has disappeared, but some of the Banks have local directors who live in the district and know a good deal about the farmers' business. Finally, from the point of view of the agricultural community, it is important to realise that, notwithstanding the absorption of the small country Banks, there is, in fact, far keener competition for rural business than ever before; while, in the matter of security to depositors, the amalgamation of the Banks has also been of very great advantage. The old private Banks were always heavily involved in the fortunes of a restricted area and this was a source of weakness at times of local crisis. The Joint Stock Banks spread their risks over a wider area and a greater range of industries, and can better carry periods of depression.

54. As regards Scotland, there is a similar vague feeling that the existing Scottish Joint Stock Banks, so far as they have entered the English amalgamations, are more or less unsympathetically controlled from London and that credit is suffering as a result. Taking everything into consideration, however, few complaints have reached the Committee with regard to the attitude of the Scottish Banks. This may, perhaps, be explained by the fact that within Scotland there has been no concentration of banking such as has happened in England, and the national Banks, which are well diffused through the country, have remained as separate entities. As a result, they are well acquainted with their clients. The local agents are, moreover, more or less stationary, which makes for stability in management. Short-term credit for agriculture is habitual in Scotland, and legal security is seldom asked for provided a man is known. In addition to this accommodation, the Banks in Scotland almost universally advance credit for working capital for a term of years on the guarantee of joint sureties. Indeed, in their earlier years, the Banks built up their business on this basis. The smaller agriculturists have thus been enabled to obtain credit more easily than in England. In the aggregate, the Banks have very large sums invested in this way. The sureties are conjointly and severally liable and are bound to the extent of the principal plus three years' interest. The rate of interest generally charged appears to be 5 per cent.

55. Suggestions have been made to the effect that the Banks should be invited to attach agricultural experts to the country branches in order to remove any impediment to an extension of credit business among farmers which may be due to lack of agricultural knowledge and supervisory machinery on the part of the Banks. The appointment of agricultural experts of sufficient standing to be of real value would raise numerous difficulties and we do not regard the suggestion as practicable. In our view, the system of local directors is the best line of development and one which could, with advantage, be adopted by all the Banks and more widely extended.

56.—(ii.) *Credit from Auctioneers, Merchants, Dealers, Tradesmen, &c.*—The great majority of farmers obtain credit from auctioneers, or from the vendors of materials such as seeds, fertilisers and feeding-stuffs required for ordinary farming operations, or from live-stock dealers, tradesmen and, in some cases, professional money-lenders. It is common for credit from these sources to be concurrent with credit from the Banks. These practices have grown up automatically and instinctively with the development of the industry itself and may be regarded as the natural result of the persistent under-capitalisation of farming. So much, however, has been said as to the positively harmful nature of these sources of accommodation that it is desirable to examine in some detail their function and purpose.

57.—(a.) *Credit from Auctioneers.*—The practice of obtaining credit from auctioneers is resorted to in some countries much more than in others. Auctioneers of live-stock allow farmers to buy cattle and sheep on credit and on the condition that these cattle and sheep, or lambs born from the latter, are resold in their markets. Apart from any question of prices, the auctioneer appears to obtain a slightly higher rate of interest than the current bank rate, in addition to commission on resales, while the farmers are handicapped by being tied to their market and, in some cases, being bound rather by the auctioneers' interest than their own as to time of sale. The arrangement, however, is neither unnatural nor generally unbeneficial. It has been represented that auctioneers, as a whole, certainly do not treat farmers badly. Moreover, there are incidental advantages, notably that the auctioneer is usually a man of accumulated knowledge and sound practical judgment whose experience is always at the disposal of the small farmer to help him buy wisely and well.

58.—(b.) *Credit from Merchants.*—Credit from merchants is almost universal, extending to corn and hay merchants, cake merchants and, to a less extent, to the purchase of fertilisers. A farmer buys seeds of all kinds on credit from a corn merchant, who may make the condition that the corn crops are sold to him when harvested. Very long credit is sometimes given in this way. We have been informed that in some districts seedsmen supply grass seeds in the spring of one year and have to wait until the summer of the following year when the crop is secured before their bill is settled. There is no doubt that at present all traders have very long lists of debts against farmers. It has been represented to us, on behalf of corn merchants, that, taking the trade generally, they practically never receive any return by way of interest on overdue accounts, and the method of granting discount for cash is not adopted to any appreciable extent. Merchants, generally, show no sign of forcing matters at the present time and it is certainly not in their interest to do so.

59.—(c.) *Credit from Dealers.*—In certain districts dealers have a monopoly of supplying cattle to farmers on a credit basis. They pay periodical visits to grazing districts and buy largely for some

farmers on commission, while others they supply with a "yardful of bullocks" on credit. On the sale of these latter bullocks it is frequently the custom to divide the profit in equal moieties between the two parties. Dealers, as a rule, are keen business men. They dispose of the best cattle to those farmers who can pay cash; the inferior go to the financially involved. This does not mean that the dealer serves no useful part in rural economy. It is far cheaper for a farmer to buy his stock through him than to travel long distances to markets for the purpose.

60.—(d.) *Advances on Crops*.—This particular system of credit operates largely in districts where fruit and market-garden produce is grown. Merchants will buy a grower's crop early in the summer, make him an advance and take the risk of the yield and the price realised. In Lincolnshire and Kent it is not uncommon for a merchant to pay a farmer to grow a crop, usually potatoes. The farmer's price includes a profit on the cultivations, and the merchant takes all risks. In some parts of Essex this practice is extended to seed growers. These systems are by no means disadvantageous to the farmer. The middlemen concerned in the transactions indulge in a speculation and may make big profits or big losses. This applies particularly to the fruit trade. So far as horticultural produce is concerned, there is general agreement that selling crops on the ground in this way, or growing them at a guaranteed price, is preferable to selling them through a commission agent when harvested. We see no reason for interference with these customs. The farmer is insured and guaranteed an average profit. The merchant, by means of his dealings in different localities and districts, is able to spread his risk over an extensive area.

Adequacy of Existing Facilities.

61. It is desirable to consider to what extent these various facilities meet the present credit requirements of farmers. Taking first the question of the Banks, we have been at some pains to ascertain from each of the five leading Banks in England and Wales the precise extent of the loans to agriculturists outstanding at the present time. Aggregating the information which we have received we find that no less a sum than $46\frac{1}{2}$ millions sterling is at present out on loan to farmers from these sources, of which 26 millions represents loans for the purchase of agricultural land and 20 millions normal loans for current trading. We confess to some surprise at the magnitude of these figures, which, in our judgment, furnish the most convincing evidence against the general criticisms we have referred to above. This is not to say, however, that the Banks cover the whole of the credit needs of farmers in so far as they are not met by merchants and others, and we will proceed to indicate the directions in which, in our judgment, further facilities are required.

62.—(a.) *Farmers without Effective Access to Banking Facilities*.—Credit from the Banks is, of course, restricted to men having banking accounts. Admittedly, there are not many farmers without them in Great Britain to-day, but such as they are they

reveal a gap in the credit system. A far larger class is that of small farmers in the thinly populated areas who, although they have banking accounts, live so far away from their Banks, or, for other reasons, are so much outside the ambit of the manager's acquaintance that they are unable to pledge their personal integrity. We fully realise that the Banks are in a unique position to assess the personal factor because of the knowledge they possess of the past and present fluctuations of individual accounts, but the transactions of farmers' accounts are not an infallible criterion of their credit status. Farming is essentially an undertaking which cannot be easily appraised without considerable technical knowledge, and, in these cases, the Banks have very little else to go on beyond the general make-up of the farmer as a business man. Some farmers are, of course, largely themselves responsible for this, as they make little or no effort to present what security they do possess in the most attractive form by keeping books worthy of the name and supporting their case by a proper balance-sheet. Credit from merchants, as apart from Banks, does not of itself adequately meet their need even in normal times, let alone times of severe depression like the present—though there is evidence that merchants are at present helping them very extensively—as in addition to the cost of materials, heavy charges have to be met in respect of labour, rent, rates, &c. In periods of depression, credit in respect of these charges is necessary to supplement the customary year-in year-out accommodation which farmers derive from merchants, and it is precisely this supplementary credit that many farmers are finding it difficult to obtain in present circumstances.

68.—(b.) *Credit for the Purchase of Live-stock, &c.*—A second direction in which the Banks, except perhaps the Scottish Banks, do not uniformly favour the advance of money is for the purpose of purchasing seasonal stock. This is mainly due to a feeling of nervousness that such stock is easily removable and difficult for the Bank to trace, and, therefore, does not constitute a satisfactory banking security, but the relative magnitude of the amounts required is no doubt an important consideration. And yet seasonal stock fulfils the fundamental credit requirement of productiveness and may, indeed, yield, in certain circumstances, considerable profit. It is not surprising, therefore, to find that farmers who have no collateral security to offer to their Bank tend to make use of such credit facilities as are offered by dealers and auctioneers, and, in times of depression, the amount of credit given in this way may increase very greatly, while, of course, the terms on which it is given do not become easier as the risk increases. In the early nineties prominent dealers are said to have boasted that half the farmers in certain districts were farming for *them*, and this state of affairs may recur if the existing depression continues and no alternative facilities are provided. In a similar way, the arrangements offered by merchants and other traders tend to become decreasingly favourable as the financial position of the farmer weakens. It is, therefore, a matter for serious consideration whether

some alternative machinery cannot be provided, to which farmers may resort, if they so desire, and thus avoid the economic servitude which some forms of mercantile credit undoubtedly entail.

64.—(c.) *Credit for Additional Equipment.*—Finally, there is evidence to show that the Banks do not satisfactorily meet the case of the farmer requiring a loan for a few years to enable him to improve the equipment of his farm. This is not surprising, for the investment of money in non-convertible securities in this way is hardly consonant with the cautions of banking. This accommodation may be required for such purposes as the purchase of permanent breeding-stock, the provision of implements, machinery and equipment, and the execution, by tenants, of minor improvements, such as fencing, drainage, &c. The evidence we have received from Scotland is emphatic as to the desirability of loan capital being made available for farmers for these purposes. In this connection it is interesting to note that under existing Treasury regulations, pursuant to Section 18 of the Land Settlement Facilities Act, 1919, advances to statutory ex-Service small-holders may be made for a period of three years, subject to extension to five years in exceptional cases, for the purchase of live-stock, fruit trees and implements. It may be observed here that it was precisely this type of credit—intermediate credit we may call it—which was the main accommodation provided by the original Raiffeisen Societies in Germany and with such extraordinarily successful results.

65. To sum up, we have come to the conclusion that the existing arrangements do not fully meet the needs of the small farmer who has no effective access to banking facilities, that machinery should be devised, or existing machinery extended, to enable farmers who so desire to purchase their seasonal stock and raw materials on credit at least commensurate with that at present given by dealers and merchants, but under agricultural rather than purely mercantile auspices, and that some arrangements are necessary to enable farmers to obtain a measure of intermediate credit over a term of years.

Short-Term and Intermediate Credit in Other Countries.

66. We have devoted some attention to the machinery existing in other countries for the provision of short-term and intermediate credit for farmers. In most European countries the conditions of farm life are especially adapted to local organisation along the lines of the co-operative purchase of supplies, sale of produce, insurance and credit. The small size of the individual farming unit often renders the need of organisation essential in order that the individual farmer may save himself from exploitation. Policies on this basis have been framed by the majority of European Governments, and in India, Japan, the United States and Canada progress along these lines has also been considerable. For various reasons into which we need not now enter, we do not consider that the systems now in existence in other countries will apply without

substantial modification to conditions in this country at the present time.

Proposals.

67. We have very carefully considered the scheme which was recommended by the Credit-Sub-Committee of the Agricultural Advisory Committee in February 1922, under which it was proposed that loans should be granted to farmers on the advice of the County Agricultural Committees working through the Banks who were to be guaranteed against loss by the Government. A restricted scheme of this kind would, of course, tend to relieve existing credit organisations of some of their outstanding loans without conferring any appreciable benefit on the farmers, while we doubt whether, in the present condition of the national finances, the State could afford to face the losses which would be incurred if a large sum of money were advanced in this way, due regard being had to the general contraction of existing facilities which would undoubtedly occur on the entry of the State into the field. Moreover, the scheme is not a constructive proposal. It was devised as a purely temporary expedient and does not build up for the future any definite and permanent system of credit.

68. Again, it has been suggested to us that it would be a natural and useful arrangement for the State to arrange for credit to be conveyed to agriculturists through the channel of the purchase of their ordinary requirements. A scheme of this character, applied to agricultural merchants and dealers as a whole, would be administratively impracticable, even if it were desirable generally. An attractive modification would limit the application to agricultural co-operative Trading Societies. Indeed, it has been urged that an arrangement of this character should be introduced with the definite intention of stimulating the development of these Societies. Such a proposal would certainly be received with considerable hostility in ordinary trading circles, and would, of course, only help those who traded through those organisations. It would also narrow down the purposes for which credit is given, whereas we are satisfied that where credit is needed in existing circumstances meticulous discrimination as to the purpose for which it is given is not only of secondary importance, but is quite impracticable.

69. The essential difficulty in devising any sound scheme for affording additional credit facilities for agriculture lies in the fact that unless means can be devised which will enhance the intrinsic credit status of borrowers, the risks involved may be serious. The most effective way of increasing a farmer's credit status is by inducing him to link up his credit with that of his fellows. This is the principle of co-operative credit which has been successfully applied to the case of farmers in other countries and we are convinced that it is in this direction that a solution of the short-term credit problems of agriculture in this country should be sought.

70. Beyond the system of Bank loans on the guarantees of sureties jointly and severally liable which has done so much

to assist agriculture in Scotland, nothing has yet been done on a large scale to mobilise credit in Great Britain in this way, though there has been a certain amount of propaganda in the past. Although conditions are now probably more favourable for an innovation of this kind than ever before, we are satisfied first that any attempt to form Credit Societies without the stimulus of State assistance would be futile and, secondly, that it will not be possible to establish co-operative Credit Societies to the desired extent on the Raiffeisen principle of unlimited liability which has been the foundation of most of the previous proposals. The weight of evidence is, in this respect, overwhelming, and it is supported by the comparative inactivity of the few Societies on the Raiffeisen model which already exist in this country. We see no reason, however, why, with State assistance, approved Societies should not spring up and develop rapidly on the basis of a strictly limited liability, a considerable portion of their capital remaining uncalled except in the event of liquidation.

71. With a view to enlisting the fullest local support, we consider that the scheme we submit below should provide for utilising the local savings of the villages concerned as a fund from which to make loans for productive agricultural purposes instead of allowing them, as at present, to be diverted to the industrial areas. An arrangement of this kind has been dovetailed successfully into many credit systems abroad. We develop this suggestion in the ensuing pages, but we mention it, at this stage, in order to indicate our view as to the source whence the financial assistance should, if possible, be derived.

72. The proposal to encourage, by State assistance, the formation of co-operative Credit Societies possesses the further advantage that it will afford means, indeed, the only means, by which agricultural labour will directly benefit by any measure of State credit for the farming industry. The King's Speech on the Prorogation of Parliament contained the statement with regard to the existing depression, that it is hoped that "means may be found to alleviate some of the difficulties confronting both farmers and labourers." The labourers will be able to take full advantage of the local Credit Societies for the purchase of live-stock, &c., on a reasonably long-term basis. It is obvious that with wages down to 30s. a week, or even less, few married labourers with families are able to buy live-stock without a very large measure of "improvement" credit at the present time. In this connection, we have been informed of instances where members of the few Credit Societies already existing have risen, by means of a succession of loans, from the position of labourers to that of substantial small-holders.

73. Our concrete proposals are as follows :—

(1.) Agriculturists should be urged on grounds of self-interest to form themselves into co-operative Credit Societies, the constitution of which should be in accordance with rules laid down by the

Treasury in conjunction with the Ministry of Agriculture and Fisheries and the Board of Agriculture for Scotland.

(2.) Although the Societies would be intended primarily for those engaged in agriculture, membership should be open to any person sufficiently interested in promoting the prosperity of the countryside to be willing to lend his capital and his credit for that purpose. We attach special importance to securing at the outset the hearty co-operation of persons of standing in each district. In this way, not only will the formation of Societies be facilitated, but they will commence operations straightaway with a solid financial backing and a correspondingly greater capacity for useful service.

(3.) The rules framed before the War by the Ministry of Agriculture and Fisheries may to some extent be adopted as a basis for defining the constitution and functions of the proposed new Societies, but they will have to be considerably modified and amplified to meet the necessities of the case. In the time at our disposal we have been unable to consider in any great detail the precise status and form of the Societies, but if the general principles we propose are accepted we shall be pleased to go more fully into the matter with a view to securing the establishment of Societies on a basis which will give them individuality and prestige and provide them with such powers as will enable them to be of real service to the community.

(4.) Special branches should be formed in the Departments of Agriculture to encourage the formation of the local Credit Societies. The Societies should be affiliated through these Central Departments, or standing Committees appointed for the purpose, and the Departments should superintend their operations. The system by which the War Savings Associations were first formed and afterwards kept in view by the National Savings Committee might well be followed. The Departments would not be directly responsible for the operations of the Credit Societies, but should be in a position to cancel their affiliation and cut off State assistance when advisable. In our opinion, the success or otherwise of the whole scheme will depend entirely on the vigour and activity of the Central Departments. Propaganda will probably prove to be even more important than financial assistance.

(5.) The geographical unit for the formation of such Societies should be normally the Rural District, though in some cases, especially in Scotland, the civil parish will be preferable.

(6.) A capital sum should be advanced to such Societies by the Government on the recommendation of the Ministry of Agriculture and Fisheries, or the Board of Agriculture for Scotland, on the basis of £1 for every £1 of share capital raised by the Society itself and upon which not less than 5s. in the £ have been paid up, and which should rank for all purposes prior to the subscribed capital.

(7.) The rate of interest payable by the Societies on the capital advanced by the State should be at the lowest economic rate possible.

(8.) In the event of liquidation the State should have first charge on the Societies' assets, including the uncalled capital.

(9.) We do not see any objection to the Societies being entitled to receive deposits from members or non-members in order to increase their resources, but such deposits would not rank for State loans. The Societies should not, however, be entitled to raise other loans without the previous approval of the Ministry of Agriculture and Fisheries or the Board of Agriculture for Scotland.

74. Reverting to the question as to the source from which the financial assistance should be derived, it may be argued that it does not matter from what State fund the money is provided so long as it is appropriate from the point of view of the Executive. We do not assent to this view. We are of opinion that, from the psychological standpoint, it is important that the borrower should be made intimately aware that he is employing other people's money, and that although the State is the agent whence the money is derived, it is merely the agent and that it has responsibilities to the lender from whom the money has been borrowed. It has also long been a criticism by country people that the Post Office Savings Bank and other systems of State-organised thrift, in so far as they are effective in the country districts, have the effect of collecting the small savings of individuals living in rural districts and transferring such capital to the towns or cities to be used for national purposes. The Agricultural Policy Sub-Committee of the Reconstruction Committee drew attention to this absorption of rural capital in its report presented in 1917. This criticism has been met to some extent by the system introduced in October 1920, by which Local Authorities were empowered to borrow for local purposes from the Public Works Loan Board sums equal to one-half of the proceeds of Savings Certificates purchased in their respective districts. This system of borrowing Certificate monies for local needs has not had much effect in the rural districts mainly for the reason that Local Authorities with a rateable value below £200,000 had already the right to borrow from the Local Loans Fund. We think that it is worth consideration whether State loans for agricultural credit on the lines suggested should not be drawn from the funds produced by the sales of Certificates in the rural areas. It is not possible to assess the amount of money actually invested by the rural population, as some of it is invested in the neighbouring towns. Moreover, the distinction between an urban and a rural district is often somewhat arbitrary. Of 650 technically rural districts only 397 have taken steps to inform the Savings Committee of the sales of Certificates in their respective areas, but it is possible from the figures which have been obtained to estimate that the proceeds of Savings Certificates in the rural areas is somewhere in the neighbourhood of from £5,000,000 to £6,000,000 per annum. A comparatively small proportion of this fund returned to benefit the rural areas through agricultural credit would go far to assist in the building up of the Credit Societies and to link up to mutual

advantage the rural creditor, who is the purchaser of Certificates, with the rural debtor, who is the member of the local agricultural Credit Society—giving both parties to the contract an added sense of their responsibilities. We suggest that this aspect of the question might be submitted to the Savings Certificate Enquiry Committee at present sitting under the Chairmanship of the Right Honourable Edwin S. Montagu, with a request that it should consider the effect of the above suggestion on the Savings movement.

75. Local Credit Societies, formed on the above lines, should, if adequately financed, be able to meet the needs for short-term credit which we have found to exist. We see no reason to fetter in any way the discretion of these Societies to give credit for any agricultural object which, in their judgment, represents a justifiable investment of the Societies' funds, but we hope that their efforts will be specially directed to assisting such operations as are calculated to maintain or increase the food production of the country.

76. To sum up, an analysis of the short-term credit facilities available for agriculturists has revealed the following deficiencies :—

- (a.) Credit for agriculturists without effective access to banking facilities.
- (b.) Credit for live-stock, &c.
- (c.) Intermediate credit for improvements, foundation stock, implements, &c.

It will be seen that under the preceding proposals all these deficiencies can be met in a way which, in our judgment, is in strict conformity with the economic principles upon which we have understood credit should be normally based.

77. We feel that it is in the interests of the State to give substantial support to a system of credit based as proposed on mutual association and collective effort, having the confidence that such assistance will develop powerful self-supporting natural machinery which will prove of permanent benefit to British agriculture.

78. If our recommendations are deemed by some to be insufficient to meet at once and fully the exigencies of the moment, we refer to the inherent psychology of credit as their justification. Credit follows confidence, and the creation of confidence must be a condition precedent to the establishment of any sound credit system. To devise machinery for providing credit on any other basis is to court disaster. The main constructive proposals of the Committee will necessarily take time to fructify—but as the proposed Credit Societies increase in number and in strength a powerful and useful system of credit will be established which will prove of greater value to the community in the long run than could possibly result from any attempt to bolster up an unsound position by the general extension of credit on any other basis.

79. In conclusion, we desire to place on record our indebtedness to our Secretary, Mr. A. W. Street. His industry and ability in

marshalling the evidence and in drafting our report have been invaluable, and throughout our inquiry he has been of the greatest possible assistance.

VI.—SUMMARY OF RECOMMENDATIONS.

80. Long-Term Credit.

(a.) For Improvements: We recommend that the Improvement of Land Acts should be amended to authorise any association operating thereunder to charge such rate of interest as the Departments concerned may approve. We further recommend that the Lands Improvement Company should be urged to consider the advisability of wider publicity.

(b.) For Purchase: We recommend that those farmers who purchased their holdings between the date of the passing of the Corn Production Act, 1917, and the Corn Production Acts (Repeal) Act, 1921, should be enabled to obtain loans by an approved Society operating under the ægis of the State, such loans not to exceed 75 per cent. of the present value of the holding concerned and to be repayable within a period of 40 years on an annuity basis. Funds for this purpose to be advanced in the first instance by the Public Works Loans Board and, subsequently, by the issue of guaranteed stock.

Short-Term and Intermediate Credit.

We recommend that the State should encourage the immediate formation of agricultural co-operative Credit Societies, and should place a capital sum at the disposal of each Society on the basis of £1 for every £1 of share capital raised by the Society, of which not less than 5s. in the £ shall be paid up. These Societies to be affiliated through the Ministry of Agriculture or the Board of Agriculture for Scotland, to be allowed to receive deposits and to be given a free discretion as to the granting of loans to members for agricultural purposes. We further suggest that the State funds employed for the purpose of the scheme should be derived by the application of a portion of the money derived from the sale of Savings Certificates in rural areas.

We have the honour to be,

Sir,

Your obedient Servants,

(Signed) THEODORE G. CHAMBERS (*Chairman*).

F. L. C. FLOUD.

H. M. CONACHER.

A. W. HURST.

(Signed) A. W. STREET (*Secretary*).

January 20, 1923.

COMMITTEE ON AGRICULTURAL CREDIT.

Reservation by Mr. H. M. Conacher, of the Board of Agriculture for Scotland.

To Lieut.-Colonel the Right Hon.

Sir Robert A. Sanders, Bt., T.D., M.P.

Sir,

1. I HAVE signed the Report, because I agree in its recommendations, but in my view it does not go far enough. The reference directs the Committee to examine the means available for the provision of short-term credits for farmers to enable them to continue operations, and it appears reasonable to read the expression "continue operations" as referring to the particular difficulties of the present time for British farmers. The Committee have generally interpreted the reference as allowing them to consider how far it is necessary at all to make such provision and how far the existing machinery of credit adequately meets the situation, and they have reached the conclusion that the ordinary Banks under their existing practice on the whole meet the requirements of the farmer for what can strictly be called credit.

2. I propose to develop the lines of my reservation by canvassing this conclusion, which seems to me to have been reached rather by regarding too exclusively the practice of the Banks as it works in normal times. The present times, however, are not normal, and one cannot overlook the fact that the Central Banks have been placed in a position of unusual responsibility in most of the more important belligerent countries since the war. The increasing power of Banks in relation to the other elements of the economic fabric of society has been noted in Germany and the United States as well as in this country. This is only another way of emphasising the fact that industrial undertakings have been dependent to an abnormal extent since the war upon credit for carrying on their operations. For this purpose the national credit has been mobilised and conveyed to industry through the channel of the Banks.

3. Industry has required credit to an unusual degree because long credit has often had to be given by producers to their customers, and to a certain extent because the expenses of production, and in particular wages of labour, have been abnormally high. Apart from extraordinary credit given through Banks, mention may be made of the statutory credit facilities afforded by the Overseas Trade Act and Trade Facilities Act.

4. With the contraction of the currency the Banks have probably not had occasion to give credit to such a great extent to industry, and the corresponding needs of the agricultural community have only become urgent during this latter period. All the same, as the agricultural industry has reached a position similar to that

of other industries, there seems to be a case for considering whether special credit should not be afforded for it, in order to tide over the next few years, and if the Banks are not prepared to give agriculture credit except upon the lines which they have regularly followed in dealing with the farmer, it appears to me that his needs should be met from other sources.

5. It is sometimes said that the farming industry is under-capitalised. This is only another way of saying that the profits from farming are small, and that if a fair remuneration be assigned to the farmer for his labour, the interest on his capital is low. This is the conclusion (put rather differently) that the United States Congress Commission on Agriculture came to in their Report published in 1921. Referring to a table printed by them, they say that "the average income received by a farmer in pay for his labour, after deducting a return of 5 per cent. on his property, is far below the average earnings of employees in other industries."

6. It should be kept in view that the ordinary English farmer is a working farmer. The directing farmer, who supervises the use of his capital invested in the farm, is in a minority.

7. At the same time, modern farming requires a considerable amount of capital per acre. In an old country, subject to the operation of the law of diminishing returns, such returns as are yielded come more from the capital invested in the land than the actual land. This has become increasingly true as the farmers of old countries like ours have had to face the competition of produce from new lands, in which for a time the farmers are to a certain extent using up the capital formed by the stored-up fertility of virgin soil. The English farmer can hold his own, but with a larger outlay of capital, and in order to get an adequate return thereon probably a larger unit of farming is necessary. Hence the working farmer in England is put to various shifts to get enough working capital. He may have to get stock on credit from the auctioneer, and similarly fertilisers and feeding-stuffs from the merchants who deal in them. Hence, in order to get enough capital to work a farm, the farmer may have to call in outsiders, whose interest in some cases may almost amount to that of debenture holders or sleeping partners.

8. Even short of this, it is generally recognised, as part of the normal procedure of farming, that the farmer should get short-term credits from a Bank in order to anticipate the passing of the interval in the farming year between the time when his outlays are greatest and the time when his returns are coming in. Such a practice is justified by the fact that the arable farmer tends to turn over his capital more slowly than other traders and producers. The United States Commission suggested that these short-term credits should be rather longer than has heretofore been the case. Thus they say that while "in the case of crops six months may in some cases be sufficient, in the case of live-stock three years may be required."

9. It is clear, however, that while, on such a principle, this or

that special outlay may be the subject of a short-term credit, the total amount of accommodation given in this way cannot well exceed a certain proportion of the farmer's circulating capital. A rough test of the limit to be imposed might be given by saying that, while fertilisers and feeding-stuffs might form the subject of credits, rent and wages should not. So far as we could find out, the practice of the English Joint Stock Banks is to allow the farmer an overdraft for a few months in order to cover the time of his heavy seasonal outlays.

10. An indication that the farming community is in need of something further than the ordinary short-term credits may be found in the fact that the Credit Sub-Committee of the English Agricultural Advisory Committee definitely recommended an extension of credit to wages payments in their Report issued in February last.

11. There seems, in fact, to be a case for giving a section of the farming community at the present time extraordinary accommodation to tide over the next few years, such as other industries were getting from the Banks during the so-called inflation period. The farmers are as entitled to quote their relatively high wages bill as were the "industrials," to make good a similar claim. They are suffering from a collapse of the purchasing power of the urban population which forms their chief market, and the profits from which their capital is renewed have equally been eaten into by two bad seasons.

12. There seems to be no reason why arable farming should not recover within a few years in this country. The former depression was long and gradual, but it succeeded a period of rising prices which was also fairly long. The rising prices were due largely to the series of wars which were carried on in Europe and America between 1854 and 1871, and the fall which would have come in any case as wealth was renewed after these wars was accelerated in Europe by the sudden development of the new corn lands in America during the years of recovery after the American Civil War. The recent war period has been shorter, the rise and fall in prices have both been carried along very steep gradients, hence there is reason to hope that the recovery will be fairly rapid. Within the English farming community it is the arable farmer of the eastern counties whose difficulties are greatest. The dairy farmer of the west is working under easier conditions. His prices are better maintained, and in any case his returns come in at frequent and regular intervals, and generally speaking the counties north of the Trent, which find their markets near at hand in the great industrial areas of South Lancashire, the West Riding, Durham and Tyneside, seem to be getting along better than those in the east and south of England, in which London and Birmingham areas are the chief markets. It is possible, too, that, owing to its geographical position, the London market is more accessible to foreign competition for such commodities as fruit and vegetables, including potatoes, from Normandy and the Low Countries than are the northern markets.

13. If one can concentrate attention on the arable districts of the eastern counties, it is clear that the problem by being localised is less serious of solution. Thus there is an obvious difference between the agricultural conditions of such a county as Leicester and the Lindsey Division of Lincoln. While Leicester has in round figures 119,000 acres of arable land as against 345,000 acres of permanent grass, Lindsey has 563,000 acres of arable as against 289,000 acres of permanent grass. Leicester has less than one-third of the area which Lindsey has under wheat, less than one-tenth of the area which Lindsey has under barley, and between one-third and one-fourth of the area under oats. In potatoes and turnips the disparity is much greater, and also in clover and rotation grasses. These figures are striking, even when it is taken into consideration that Leicester has only about five-eighths of the area of Lindsey. In spite of the far greater area under crops in Lindsey, there are almost as many cattle and twice as many sheep and nearly three times as many pigs.

It is scarcely necessary to add that great numbers of labourers are employed in these eastern arable counties, especially in Norfolk, Suffolk, Essex and Kent, and possibly the most practical way of dealing with the problem would be to provide some means by which the wages bills might be met and the skilled labour kept in being in the arable areas in which the crops raised are sold off the farm for human consumption. The wages bill is the heavy item in the arable farmer's outlays. It is here that he will look for a reduction, and it may not be an exaggeration to say that, just as the last agricultural depression was weathered by remissions on rent, the present one may be largely liquidated by reductions in wages. Further, while in large-scale industries many "entrepreneurs" have been carrying on their business for some time past with hardly any profit and mainly to keep them going, the farmer is too small a capitalist for this to be possible in agriculture.

14. No system of separate loans to individual farmers seems to meet the case. What is wanted is a scheme that will be carried out by the joint and organised effort of the agricultural community in any district. It is suggested that something in the nature of a supplementary wages fund should be formed in a specified arable area similar to the funds built up under the National Health and Unemployment Insurance Acts.

15. Under such a scheme the question would be treated as directly affecting labourers as well as farmers, and the former would be directly associated with the latter as beneficiaries of any advance to the fund from public funds. It must be recognised, in my view, that the agricultural industry can only bear its burdens if it organises itself in large groups like other industries, and takes concerted action in such groups.

16. Any such fund would be constituted by contributions from farmers and labourers paid at regular, frequent intervals. An advance from public funds of a sum not less than their total joint contributions and repayable in a period of five to ten years might

be made. Theoretically, every contributing employer of labour would have a right to apply to obtain from the fund a sum to cover a maximum of, say, one-fourth of his wages bill in any year. This sum might in part take the form of an advance.

17. Obviously, the scheme could not succeed if any farmer contributing to the fund wanted assistance from it every year. It is accordingly to be hoped that any such scheme would be supported by large and well-to-do farmers, who would not need assistance from it.

18. Other inducements might be offered to a farmer to secure a sparing use of the fund. A second appeal for assistance in a second year might justify only the issue of a loan.

19. A scheme could be brought into action in any area in which two-thirds of the farmers and of the labourers, presently insured under the National Health Insurance Act, were ascertained to be willing to work such a scheme.

20. Of course, under such a scheme any contributing employer would be required to pay an agreed living wage, and it would be difficult to apply the scheme except to more or less regularly-employed labourers.

21. As things are, the Unemployed Insurance Act of 1920 does not apply to agriculture. And agriculture was exempted generally on the footing that unemployment, as incident to other industries, does not commonly arise in agriculture. There is undoubtedly always a market for agricultural produce, and under the conditions imposed by nature it is impossible to have spurts in agricultural production. At the same time, it is possible to have rather quick drops in prices which bring about what is the next worst thing to unemployment, and that is a low rate of earnings.

22. Under present circumstances it will not be too difficult to relieve the situation in agriculture at the expense of labour. In ordinary times the discontented agricultural labourer can drift in to the towns, but this escape from the conditions of his own calling is not open to him at present. The obvious alternative is for him to remain and take low wages. Hence, any scheme which obviates that alternative is for agriculture very much the equivalent of a scheme of Unemployment Insurance for other industries, and if other industries which are liable to bursts of unemployment can stand the greater part of the cost of unemployment insurance, then agriculture should be able to bear the cost of a similar scheme for maintaining the rate of wages at the level of subsistence. In a sense, too, a scheme of this kind would have some of the characteristics of co-operative credit. The State loan would be secured upon the joint contributions of the farmers and labourers, and upon their willingness to see the scheme through.

23. Mass action of this kind is to a certain extent novel in the farming community, but the more there is of it the better. The formation of branches of the National Farmers' Union all over the country, and the growth of trade unionism among the agricultural labourers further facilitate such collective action, which in this

country will more naturally flow in such directions as this than towards the various forms of association which have manifested themselves among peasant communities on the Continent.

24. Though it is in my view necessary before all things that wages in agriculture should be maintained at a proper level, there is another direction in which credit would be useful at the present time, *i.e.*, for the provision of fertilisers and feeding-stuffs through co-operative Trading Societies. High farming cannot be carried on without these; but if economies are to be made, it is possible that they should be used more sparingly at the present time.

25. The law of diminishing returns almost certainly applies to the case of feeding-stuffs for fat stock beyond a certain point; and there seems reason to believe that the same may be true of fertilisers. At the same time, they are indispensable; and the ordinary farmer is well advised to get them through a co-operative Trading Society. Normally, such Societies require from their members payment in cash, and in order to give credit it would be necessary for the Trading Societies to have rather more capital than they usually command. It might be possible for arrangements to be made for the banks to give such Societies reasonable accommodation for a term of years, if their solvency and efficiency were certified by a public Department. It will be objected that this is assisting co-operation in a manner unfair to the private trader. To this it seems fair to retort that if the urban population insists that the farmer is to make his way without protection and at the same time social considerations make it undesirable for the present form of our rural economy to be replaced by large farms extending to 2,000 acres, the town-dwelling majority has no right to deny the farmer every facility for collective purchase and sale, such as are the very minimum of improvement in the organisation of an industry which is fatally handicapped by being carried on in a very great number of small units.

26. With some such measures the arable farming industry of this country should have time to look round. Merely to put arable land back everywhere under grass for stock raising would put England back to where a country like Hungary was a hundred years ago. We tend to fail where agricultural processes become complicated. We breed and feed stock well and grow good staple crops. Our farming, however, is conducted on the assumption that the town consumer should always be prepared to take the produce just as it leaves the farmer. Perhaps this is the result of our farmers having had earlier than those of other countries a considerable market near at hand in the form of a numerous town population. Certainly we are backward at working up agricultural produce, except in cheese-making and bacon-curing.

27. The farmers in such continental countries as Germany, Belgium, Bohemia and Northern France have a great advantage over our arable farmers in respect that two of their most important crops, sugar-beet and potatoes, are the raw material of industry. With us agriculture is not thus co-ordinated with industry. Our

root crops are only grown to be eaten by stock, and if the whole of our potatoes cannot be consumed at once by the urban population, the farmer who grows potatoes is in a bad way.

I have the honour to be,

Sir,

Your obedient Servant,

H. M. CONACHER.

January 20, 1923.

SIXTY-FOURTH REPORT
OF THE
COMMISSIONERS OF
HIS MAJESTY'S
INLAND REVENUE.
For the Year ended 31st March, 1921.

Presented to Parliament by Command of His Majesty.



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SIXTY-FOURTH REPORT.

TO THE LORDS COMMISSIONERS OF HIS MAJESTY'S
TREASURY.

MAY IT PLEASE YOUR LORDSHIPS,

1. We have the honour to submit our Report on the Revenue under our management for the year ended the 31st March, 1921.

2. The following are the particulars of the Inland Revenue Receipts to the 31st March, 1921, and of the actual disposal of the same within the year 1920-21 :—

TABLE 1.—GROSS INLAND REVENUE RECEIPTS AND DISPOSAL
OF THE SAME IN THE YEAR 1920-21.

GROSS RECEIPTS.		DISPOSAL.	
Balance on 1st April, 1920	£ 12,223,110	Payments to Exchequer in respect of Inland Revenue Duties, &c. :—	£
Gross Receipt of Inland Revenue Duties, &c. (collected or received by the Inland Revenue, the Customs and Excise, and the Post Office) :		Estate, &c., Duties	47,729,000
Estate, &c., Duties	48,340,201	Stamp Duties	26,591,000
Stamp Duties	26,710,451	Land Tax	650,000
Land Tax	684,872	Inhabited House Duty	1,900,000
Inhabited House Duty	1,957,003	Income Tax (and Super-tax)	394,146,000
Income Tax (and Super-tax)	438,717,204	Excess Profits Duty (and Munitions Levy)	219,181,000
Excess Profits Duty (and Munitions Levy)	236,125,915	Corporation Profits Tax	650,000
Corporation Profits Tax	701,178	Duties on Land Values	20,000
Duties on Land Values	517,715		650,867,000
	753,754,539	Payments to other Departments in respect of Duties, &c., collected on their behalf by the Inland Revenue Department	26,609,750
Gross Receipt of Duties, &c., collected by the Inland Revenue Department on behalf of other Departments (including Fee and Patent Stamps, £1,651,760)	31,826,791	Payments to Exchequer in respect of Miscellaneous Revenue (Fee and Patent Stamps, &c.)	1,840,817
Extra Receipts in aid of Vote, &c.	31,985	Payments out of Miscellaneous Revenue—Land Registry Fee Stamps—Registration of Title Insurance Fund (Ireland)	242
			28,450,809
		Payments to Appropriations in Aid of Vote	31,985
		Discounts, Repayments, &c.	66,480,068
		Balance on 31st March, 1921	12,006,563
	£797,836,425		£797,836,425

3. The gross amount of Inland Revenue duties, &c., collected, including amounts collected by other Departments on our behalf, was £753,754,539 as shown in the above table. The cost of collection of these duties, including amounts borne on the votes of other Departments, such as the Customs and Excise, the Post Office, the Office of Works, and the Stationery Office, was £8,566,942, or 1.13 per cent.

4. As respects Inland Revenue duties, amounting in all to £101,045,123, the process of collection, as distinguished from the

prior stages of assessment, adjustment and agreement of liabilities, was carried out on our behalf by other Departments as follows:—

Post Office	£ 4,135,462	Stamps and Income Tax.
Customs and Excise..	94,276,078	Income Tax, &c.
Post Office and Excise..	2,633,583	Stamps.

The Customs and Excise Department also acted as Remitting Agents not only for the £96,909,661 shown above, but for a further £58,789,759 of Inland Revenue duties collected by our officers, making a total of £155,699,420.

5. The following are the details of the amount of Duties, &c., viz., £31,826,791, collected or received by the Inland Revenue on behalf of other Departments:—

Board of Intermediate Education, Ireland	£ 1,844
Board of Trade (Bankruptcy, &c.) ..	39,528
Controller of Coal Mines	28,269,465
Customs and Excise Department ..	1,421,424
National Debt Commissioners:—	£
Land Tax Redemption	
Consideration Money	44,033
Composition for Stamp	
Duty	68,868
	<hr/>
	112,901
Post Office	311,836
Receiver of Metropolitan Police	13,090
Stationery Office	4,943
	<hr/>
	£30,175,031
Miscellaneous Revenue:—	
Fee and Patent Stamps, &c. ..	1,651,760
	<hr/>
Total	£31,826,791

6. In addition to the collection of these sums of duty, the Inland Revenue rendered further services, principally in connection with valuation and Currency Notes, to other Departments. The cost of all services to other Departments charged on the Inland Revenue Vote amounted to £960,250.

7. Throughout this Report, under the various heads of Revenue, we have, as regards the net receipt of Revenue, given figures for the period from 1910–11 to 1920–21 inclusive. The " Net Receipt " for any given year represents the amount of tax actually collected by the Department within the year (no matter for what year the tax may have been assessed) less the amount of tax refunded, &c., within the year. It includes arrears of previous years, and the total amount collected is only ascertainable after the close of the year, when the Accounts of the Local Officers have been examined. It necessarily differs somewhat from the payments into the Exchequer in the same year, owing to the fact that revenue received in the provinces occupies a certain time in course of transmission to Head Quarters.

TOTAL INLAND REVENUE DUTIES.

TABLE 2.—BUDGET ESTIMATE, AMOUNT PAID INTO THE EXCHEQUER, AND NET RECEIPT OF INLAND REVENUE DUTIES IN THE YEAR ENDED 31ST MARCH, 1921.—DETAILS FOR EACH SUB-HEAD.

	Budget Estimate (as revised Aug., 1920).	Amount paid into the Exchequer.	Net Receipt.*			
			In ENGLAND.	In SCOTLAND.	In IRELAND.	In the UNITED KINGDOM.
	£	£	£	£	£	£
Estate, &c., Duties ..						
Estate Duty (including Settlement Estate Duty)			33,682,569	5,278,099	1,672,959	40,613,627
Probate (and Inventory) Duty ..	38,950,000	41,229,000†	11,321	1,497	1,196	14,004
Account Duty ..			1,339	—	44	1,383
Temporary Estate Duty			3,634	559	11	4,204
Legacy Duty ..	5,000,000	5,250,000†	4,427,475	647,091	218,171	5,292,737
Succession Duty ..	1,000,000	1,210,000†	1,017,404	118,076	81,478	1,216,958
Corporation Duty ..	50,000	40,000†	36,641	1,221	306	38,168
Total Estate, &c., Duties ..	45,000,000	47,729,000	39,160,383	6,046,543	1,974,155	47,181,081
Stamp Duties ..	25,200,000	26,591,000	23,831,798	1,798,760	910,256	26,540,814
Land Tax ..	600,000	650,000	618,967	30,849	—	649,816
Inhabited House Duty ..	1,900,000	1,900,000	1,826,144	129,542	—	1,955,686
Income Tax ..	331,400,000	338,865,000	302,394,925	32,261,847	6,008,566	340,665,338
Super-tax ..	53,800,000	55,281,000	55,668,965	—	—	55,668,965
Excess Profits Duty (and Munitions Levy)	215,030,000	219,181,000	185,748,143	27,930,574	4,420,411	218,099,128
Corporation Profits Tax	2,900,000	650,000	625,361	74,142	1,674	701,177
Land Values Duties:—						
Increment Value Duty	—	—230,000†	—321,815	—38,038	—8,656	—428,509
Reversion Duty ..	—	—150,000†	—228,748	—552	—4,547	—233,847
Undeveloped Land Duty ..	—	—100,000†	—138,757	—10,169	—2,744	—151,670
Mineral Rights Duty ..	250,000	240,000†	211,029	26,050	418	237,495
Excess Mineral Rights Duty ..	250,000	260,000†	199,298	69,336	—	268,634
Total Land Values Duties ..	500,000	20,000	—338,993	46,627	—15,531	—307,897
Total Inland Revenue Duties ..	676,330,000	690,867,000	609,535,713	68,318,884	13,299,531	691,154,128

TABLE 3.—BUDGET ESTIMATE, AMOUNT PAID INTO THE EXCHEQUER, AND NET RECEIPT OF INLAND REVENUE DUTIES AS A WHOLE.

Year ended 31st March.	Budget Estimate of the Amount receivable by the Exchequer.	Amount paid into the Exchequer in the Year.	Net Receipt.*			
			In ENGLAND.	In SCOTLAND.	In IRELAND.	In the UNITED KINGDOM.
	£	£	£	£	£	£
1910-11 ..	103,350,000	102,002,000	92,109,456	8,321,466	3,295,830	103,726,752
1911-12 ..	82,450,000	83,011,000	73,049,407	6,913,617	2,468,972	82,431,996
1912-13 ..	82,195,000	83,268,000	73,156,057	7,621,879	2,496,082	83,274,018
1913-14 ..	85,950,000	87,989,000	76,945,199	8,274,150	2,589,208	87,808,557
1914-15 ..	99,876,000	108,330,000	94,950,612	10,587,878	2,945,759	108,484,247
1915-16 ..	158,474,000	169,272,000	151,065,797	14,710,042	4,314,259	170,090,098
1916-17 ..	321,125,000	387,164,000	341,528,937	39,450,006	8,336,412	389,315,355
1917-18 ..	464,000,000	503,007,000	437,461,466	55,925,167	11,429,514	504,816,147
1918-19 ..	634,500,000	622,058,000	541,832,073	66,609,735	15,232,190	623,673,938
1919-20 ..	687,500,000	715,937,000	631,127,533	68,847,630	17,575,808	717,550,771
1920-21 ..	676,330,000	690,867,000	609,535,713	68,318,884	13,299,531	691,154,128

* See para. 7 on page 5.

† Approximate amount included in the total.

TABLE 4.—GROSS AMOUNT OF INLAND REVENUE DUTIES, &C., COLLECTED BY THE INLAND REVENUE DEPARTMENT AND THE COST OF THE SERVICES CONNECTED THEREWITH.—UNITED KINGDOM.

Year ended 31st March.	GROSS REVENUE COLLECTED.				COST OF SERVICES.							Per Cent. to the Gross Amount of Inland Revenue Collected (Col. 4).	
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.		12.
	Gross Amount collected by Inland Revenue officials, whether for Inland Revenue or for other Departments.	Deduct Revenue collected on behalf of other Departments.	Add Inland Revenue collected by other Departments.	Total Gross Inland Revenue.*	Salaries and Allowances.	Committed Allowances, &c., to Assessors and Collectors of Taxes and Clerks to Local Commissioners of Taxes, and Cost of Copies of Poor Rates.	Superannuation and other Non-Effective Charges.	Other Charges, including Stamp Duties, tributors' Salaries and Com-pensation.	Total Charged against the Inland Revenue Vote.	Deduct Cost of Non-Revenue Services and Cost of Services rendered to other Depart-ments.	Add Charges met out of the Votes of Depart-ments.	Total Cost of collecting Inland Revenue Duties.	Per Cent. to the Gross Amount of Inland Revenue Collected (Col. 4).
1911-12	75,131,011	1,899,798	14,991,347	86,222,560	1,031,000	435,000	121,000	87,564	1,674,564	43,777	366,757	2,000,544	2.32
1912-13	74,203,245	2,035,362	15,003,238	87,171,121	1,194,000	457,000	125,000	102,937	1,878,937	37,639	381,534	2,222,852	2.55
1913-14	79,053,294	2,185,941	14,817,513	91,864,868	1,318,000	462,000	130,000	124,788	2,034,788	38,777	403,752	2,399,813	2.62
1914-15	85,810,162	1,957,921	18,897,443	112,549,684	1,378,000	470,000	124,000	137,685	2,107,685	21,830	403,733	2,489,588	2.21
1915-16	149,844,909	2,026,695	28,715,804	176,534,018	1,280,000	510,000	117,000	171,313	2,078,313	111,063	372,069	2,339,289	1.33
1916-17	356,172,765	1,969,226	48,132,165	402,395,704*	1,397,000	629,000	124,000	178,227	2,328,227	135,767	575,737	2,768,197	0.69
1917-18	467,606,924	2,063,125	63,623,838	529,167,635*	1,739,000	741,000	117,000	240,476	2,836,476	305,367	664,046	3,195,155	0.60
1918-19	591,255,313	2,971,773	81,436,527	659,720,067	2,156,000	844,000	120,000	295,327	3,415,327	331,485	778,196	3,661,978	0.59
1919-20	677,848,575	6,852,183	96,900,974	787,897,366	2,917,000	1,178,000	164,000	464,994	4,723,994	468,680	1,218,414	5,473,748	0.71
1920-21	684,536,207	31,826,791	101,045,123	783,754,539	4,576,000	1,483,000	177,000	949,231	7,185,231	960,250	2,341,961	8,566,942	1.13

* Excluding Munitions Levy collected by the Minister of Munitions prior to the transfer of the administration of the Levy to the Inland Revenue.

ESTATE, &c., DUTIES.

1. The Net Receipt of these Duties in the year 1920-21 was £47,181,081, as compared with £42,759,977 in the previous year. The details for the two years, with the increases and decreases, are shown in the following table :—

TABLE 5.—NET RECEIPT OF ESTATE, &c., DUTIES.—
UNITED KINGDOM.

	Net Receipt.		Increase.	Decrease.
	In 1919-20.	In 1920-21.		
	£	£	£	£
Estate Duty (including Settlement Estate Duty)	36,637,708	40,613,627	3,975,919	—
Probate (and Inventory) Duty	12,594	14,004	1,410	—
Account Duty	616	1,383	767	—
Temporary Estate Duty	1,041	4,204	3,163	—
Legacy Duty	5,084,582	5,292,737	208,155	—
Succession Duty	973,119	1,216,958	243,839	—
Corporation Duty	50,317	38,168	—	12,149
Total	42,759,977	47,181,081	4,421,104	—

2. The increase in the Estate Duty is due mainly to the revision of rates enacted by the Finance Act, 1919, in the case of persons dying after 31st July, 1919. The additional revenue received in the past year from this cause was about £10,000,000, while the corresponding sum received in the year 1919-20 was only £4,000,000, the increased rates being operative only during the latter part of 1919-20.

3. Provision was made by the Finance Acts of 1916, 1917 and 1918 for the acceptance under certain conditions of such stocks or bonds issued in connection with the war, as might be prescribed by the Treasury, in payment of any death duty. The total amounts of stock and bonds tendered in pursuance of these clauses are as follows :—

Year ended 31st March.	Total Death Duties satisfied by the acceptance of War Stocks and Bonds.
1917	£ 1,326,000
1918	3,673,000
1919	4,226,000
1920	9,383,000
1921	19,167,000

The volume of securities carrying this right was increased to a considerable extent by the issue in 1919 of the Funding Loan and Victory Bonds.

TABLE 6.—BUDGET ESTIMATES, AMOUNTS PAID INTO THE EXCHEQUER, AND NET RECEIPT OF ESTATE, &C., DUTIES (*i.e.*, all DEATH DUTIES).

(Estate Duty, Settlement Estate Duty, Probate and Inventory Duty, Account Duty, Temporary Estate Duty, Legacy Duty, Succession Duty and Corporation Duty.)

YEAR ENDED 31ST MARCH.	BUDGET ESTIMATE OF THE AMOUNT RECEIVABLE BY THE EX-CHEQUER.	AMOUNT PAID INTO THE EX-CHEQUER IN THE YEAR.	NET RECEIPT.			
			IN ENGLAND.	IN SCOTLAND	IN IRELAND.	IN THE UNITED KINGDOM.
1910-11..	£ 27,030,000	£ 25,452,000	£ 21,996,836	£ 2,568,231	£ 1,143,929	£ 25,708,996
1911-12..	25,150,000	25,392,000	21,544,497	2,701,726	936,009	25,182,232
1912-13..	25,450,000	25,248,000	21,226,236	3,192,593	987,540	25,406,369
1913-14..	26,750,000	27,359,000	22,432,575	3,652,711	1,079,837	27,165,123
1914-15..	27,770,000	28,382,000	23,446,096	4,026,090	1,070,385	28,542,571
1915-16..	31,000,000	31,035,000	26,332,609	3,517,459	1,087,914	30,937,982
1916-17..	30,000,000	31,232,000	26,099,220	4,149,157	943,769	31,192,146
1917-18..	29,000,000	31,674,000	26,820,190	3,734,647	1,180,661	31,735,498
1918-19..	31,500,000	30,262,000	25,056,858	4,505,568	1,237,595	30,800,021
1919-20..	34,500,000	40,904,000	36,082,932	5,003,826	1,673,219	42,759,977
1920-21..	45,000,000	47,729,000	39,160,383	6,046,543	1,974,155	47,181,081

TABLE 7.—THE SEVERAL NET CAPITAL VALUES, REAL AND PERSONAL, ON WHICH ESTATE, &C., DUTIES WERE PAID.

(See observations on next page.)

Year.	Personalty (including leaseholds, &c.)	Realty (excluding leaseholds, &c.)	Total.
ESTATE DUTY (1894).			
1910-11	£ 224,333,000	£ 48,717,000	£ 273,050,000
1911-12	228,820,000	49,730,000	278,550,000
1912-13	229,823,000	49,590,000	279,413,000
1913-14	248,995,000	49,011,000	298,006,000
1914-15	240,101,000	61,476,000	301,577,000
1915-16	} Not available.		
1916-17			
1917-18			
1918-19			
1919-20 (nine months, July, 1919, to March, 1920) ..	243,164,000	64,339,000	307,503,000
1920-21	306,600,000	84,746,000	391,346,000

TABLE 7.—THE SEVERAL NET CAPITAL VALUES, REAL AND PERSONAL, ON WHICH ESTATE, &c., DUTIES WERE PAID.—*contd.*

Year.	Personalty (including leaseholds, &c.).	Realty (excluding leaseholds, &c.).	Total.
SETTLEMENT ESTATE			
DUTY (1894).*†			
PROBATE AND			
INVENTORY DUTY.†			
ACCOUNT DUTY.†			
TEMPORARY ESTATE			
DUTY.†			
LEGACY DUTY.			
	£	£	£
1910-11	99,898,000	—	99,898,000
1911-12	122,549,000	—	122,549,000
1912-13	126,918,000	—	126,918,000
1913-14	119,737,000	—	119,737,000
1914-15	140,014,000	—	140,014,000
1915-16	} Not available.		
1916-17			
1917-18			
1918-19			
1919-20 (nine months, July, 1919, to March, 1920) ..	110,571,000	—	110,571,000
1920-21	148,245,000	—	148,245,000
SUCCESSION DUTY.			
1910-11	4,253,000	17,010,000	21,263,000
1911-12	4,965,000	19,861,000	24,826,000
1912-13	4,812,000	19,250,000	24,062,000
1913-14	5,790,000	23,160,000	28,950,000
1914-15	6,746,000	26,987,000	33,733,000
1915-16	} Not available.		
1916-17			
1917-18			
1918-19			
1919-20 (nine months, July, 1919, to March 1920) ..	4,916,000	19,665,000	24,581,000
1920-21	6,952,000	27,810,000	34,762,000

* The Settlement Estate Duty is not leviable in the case of persons dying after 11th May, 1914.

† The collection of these statistics has been discontinued.

4. In the foregoing Table the capital paying Estate Duty corresponds to the duty paid. For instance, where an instalment of duty payable in respect of an estate is received, only the portion of the capital corresponding to that instalment of duty is entered. This also applies to the Legacy and Succession Duties. The term Personalty includes leaseholds for years in England and Ireland, Yearly Tenants' Interests or Rights in Ireland, and Real Estate directed by Settlement to be sold but not sold, as such property is subject to duty as Personalty.

5. It should be observed that the amounts of capital paying Settlement Estate Duty, Legacy Duty, and Succession Duty are all portions of the capital entered under one or other of the remaining heads (usually the Estate Duty head)—as the capital which is charged with Legacy, &c., Duty is the same capital that is charged with Estate or Probate Duty. As regards Succession Duty, the appropriation of the total capital to Personalty and Realty is approximate.

ESTATE DUTY (1894).

TABLE 8.—RATES OF DUTY AND MAIN PROVISIONS RELATIVE THERETO.

Upon the principal value ascertained as provided by law of all property, real or personal, settled or not settled, passing by deaths occurring after 1st August, 1894, Estate Duty is leviable at the under-mentioned rates:—

Where the Net Principal Value of the Estate		Rate of Duty Per Cent. where the Death occurred:—					
Exceeds	And does not Exceed	After 1st August, 1894, and before 19th April, 1907.*	After 18th April, 1907, and before 30th April, 1909.†	After 29th April, 1909, and before 16th August, 1914.‡	After 15th August, 1914, and before 1st August, 1919.‡	After 31st July, 1919.‡	
£ 100	£ 500	1	1	1	1	1	
500	1,000	2	2	2	2	2	
1,000	5,000	3	3	3	3	3	
5,000	10,000	3	3	4	4	4	
10,000	15,000	4	4	5	5	5	
15,000	20,000	4	4	5	5	6	
20,000	25,000	4	4	6	6	7	
25,000	30,000	4½	4½	6	6	8	
30,000	40,000	4½	4½	6	6	9	
40,000	50,000	4½	4½	7	7	10	
50,000	60,000	5	5	7	7	11	
60,000	70,000	5	5	7	8	12	
70,000	75,000	5	5	8	8	13	
75,000	80,000	5½	5½	8	8	13	
80,000	90,000	5½	5½	8	9	13	
90,000	100,000	5½	5½	8	9	14	
100,000	110,000	6	6	9	10	14	
110,000	130,000	6	6	9	10	15	
130,000	150,000	6	6	9	10	16	
150,000	175,000	6½	7	10	11	17	
175,000	200,000	6½	7	10	11	18	
200,000	225,000	6½	7	11	12	19	
225,000	250,000	6½	7	11	12	20	
250,000	300,000	7	8	11	13	21	
300,000	350,000	7	8	11	14	22	
350,000	400,000	7	8	11	15	23	
400,000	450,000	7	8	12	16	24	
450,000	500,000	7	8	12	16	25	
500,000	600,000	7½	9	12	17	26	
600,000	750,000	7½	9	13	18	27	
750,000	800,000	7½	10	13	18	27	
800,000	1,000,000	7½	10	14	19	28	
1,000,000	1,250,000	8	10	15	20	30	
1,250,000	1,500,000	8	10	15	20	32	
1,500,000	2,000,000	8	10	15	20	35	
2,000,000	2,500,000	8	10	15	20	40	
2,500,000	3,000,000	8	10	15	20	40	
3,000,000	—	8	10	15	20	40	

* Where the death occurred after the 8th April, 1900, the following sub-section of the Finance Act, 1900, dated 9th April, 1900, gives rise to rates of Estate Duty other than those referred to above, viz., to ½, 1½, 2½ and 3½ per cent.—

“Where settled property passes, or is deemed to pass, on the death of a person dying after the passing of this Act, under a disposition made by a person dying before the commencement of Part I of the Finance Act, 1894, and such property would, if the disponent had died after the commencement of the said Part, have been liable to Estate Duty upon his death, the aggregation of such property, with other property passing upon the first-mentioned death, shall not operate to enhance the rate of duty payable either upon the settled property, or upon any other property so passing by more than one-half per cent. in excess of the rate at which duty would have been payable if such settled property had been treated as an estate by itself.” (63 & 64 Vict., c. 7, section 12 (2).)

† The Finance Act, 1907 (section 16), provides that in case of persons dying on or after the 19th April, 1907, any settled property which would, under sub-section 2 of section 12 of the Finance Act, 1900 (see Note* above), be aggregated with other property so as to enhance the rate of duty to the limited extent provided in that section, shall, for the purposes of the principal Act (Finance Act, 1894), instead of being so aggregated, be treated as an estate by itself.

‡ The amount of duty is, where necessary, to be reduced so as not to exceed the highest amount which would be payable at the next lower rate plus the amount by which the value of the estate exceeds the value on which the highest amount of duty would be so payable at the lower rate.

(Table continued on next page.)

TABLE 8.—RATES OF DUTY AND MAIN PROVISIONS RELATIVE THERETO—(continued).

Where property in respect of which Estate Duty is leviable is settled by the will of the deceased or having been settled by some other disposition passes under that disposition on the death of the deceased to some person not competent to dispose of the property a further Estate Duty called Settlement Estate Duty is levied at the undermentioned rates:—

where the death occurred after 1st August, 1894, and before 30th April, 1909	1 per cent.
where the death occurred after 29th April, 1909, and before 12th May, 1914	2 per cent.

Estate Duty is not again payable on settled property until the death of a person who was at the time of his death or had been at any time during the continuance of the settlement competent to dispose of the property. This relief ceased in the case of any person dying after the 15th August, 1914, and Settlement Estate Duty is not leviable in the case of persons dying after the 11th May, 1914.

Small estates—where the gross value does not exceed £300 —a fixed Duty of 30s. may be paid	} Inclusive of all other Death Duties.
Small estates—where the gross value exceeds £300 and does not exceed £500—a fixed Duty of 50s. may be paid	
Estates not exceeding £100 net are exempt.	

“Where the net value of the property, real and personal, in respect of which Estate Duty is payable on the death of the deceased, exclusive of property settled otherwise than by the will of the deceased, does not exceed one thousand pounds, such property, for the purpose of Estate Duty, shall not be aggregated with any other property, but shall form an estate by itself; and where the fixed duty or Estate Duty has been paid upon the principal value of that estate the Settlement Estate Duty and the Legacy and Succession Duties shall not be payable under the will or intestacy of the deceased in respect of that estate.”—Finance Act, 1894, Section 16 (3).

TABLE 9.—NET RECEIPT OF ESTATE DUTY (INCLUDING SETTLEMENT ESTATE DUTY) IN EACH PART OF THE KINGDOM.

(Settlement Estate Duty is not payable in the case of persons dying after 11th May, 1914.)

Year ended 31st March.	Charged on Personalty.	Charged on Realty.	Total Net Receipt, including Settlement Estate Duty.	Settlement Estate Duty included in previous Column.
ENGLAND.				
1910-11	£ 15,233,102	£ 2,423,761	£ 17,656,863	£ 584,437
1911-12	14,685,188	2,464,241	17,149,429	748,249
1912-13	14,074,139	2,632,973	16,707,112	739,788
1913-14	15,372,996	2,419,511	17,792,507	900,109
1914-15	14,586,969	3,685,235	18,272,204	884,930
1915-16	} Not avail- able.		20,902,037	} Not avail- able.
1916-17			20,988,989	
1917-18			21,899,168	
1918-19			20,435,965	
1919-20 { June Quarter Remaining nine months ..			19,136,346		4,763,394	23,899,740	21,006
1920-21	25,737,598	7,924,971	33,662,569	22,843
SCOTLAND.				
1910-11	1,811,884	304,813	2,116,697	53,750
1911-12	1,645,587	400,229	2,045,816	88,659
1912-13	2,261,836	333,594	2,595,430	91,768
1913-14	2,616,100	422,768	3,038,868	92,109
1914-15	2,848,613	414,478	3,263,091	95,205

TABLE 9.—NET RECEIPT OF ESTATE DUTY (INCLUDING SETTLEMENT ESTATE DUTY) IN EACH PART OF THE KINGDOM—*continued.*

Year ended 31st March.	Charged on Personalty.	Charged on Realty.	Total Net Receipt, including Settlement Estate Duty.	Settlement Estate Duty included in previous Column.
SCOTLAND—<i>contd.</i>				
1915-16	£	£	£	£
1916-17	} Not available.		2,679,183	} Not available.
1917-18			3,391,620	
1918-19			2,946,506	
1919-20 { June Quarter			3,730,944	
{ Remaining nine months ..	1,215,339	2,996,958	6,542	
1920-21	2,576,244	420,714	5,278,099	24,073
{ June Quarter	4,652,845	625,254		
{ Remaining nine months ..				
IRELAND.				
1910-11	741,275	185,691	926,966	23,383
1911-12	515,732	148,727	664,459	41,523
1912-13	580,361	163,444	743,805	20,585
1913-14	608,496	208,724	817,220	26,732
1914-15	613,427	219,149	832,576	22,873
1915-16	} Not available.		782,158	} Not available.
1916-17			717,021	
1917-18			896,880	
1918-19			976,657	
1919-20 { June Quarter			260,515	
{ Remaining nine months ..	721,258	370,354	1,091,612	3,357
1920-21	1,295,834	377,125	1,672,959	14,455
UNITED KINGDOM.				
1910-11	17,786,281	2,914,265	20,700,526	661,570
1911-12	16,846,507	3,013,197	19,859,704	878,431
1912-13	16,916,336	3,130,011	20,046,347	852,141
1913-14	18,597,592	3,051,003	21,648,595	1,018,950
1914-15	18,049,009	4,318,862	22,367,871	1,003,008
1915-16	} Not available.		24,363,378	} Not available.
1916-17			25,097,630	
1917-18			25,742,554	
1918-19			25,143,566	
1919-20 { June Quarter			8,649,398	
{ Remaining nine months ..	22,433,848	5,554,462	27,988,310	30,905
1920-21	31,686,277	8,927,350	40,613,627	61,371

TABLE 10.—AMOUNTS OF LOCAL DEATH DUTIES PAYABLE IN BRITISH DOMINIONS ALLOWED AS A DEDUCTION FROM THE ESTATE DUTY PAID IN THE UNITED KINGDOM IN RESPECT OF THE SAME PROPERTY.

YEAR.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	£	£	£	£
1910-11	96,358	8,245	1,200	105,803
1911-12	56,476	6,923	245	63,644
1912-13	60,230	25,002	2,671	87,903
1913-14	85,395	10,782	1,759	97,936
1914-15	74,102	8,843	3,604	86,549
1915-16	} Not available.			
1916-17				
1917-18				
1918-19				
1919-20 { June Quarter				
{ Remaining 9 months	76,362	9,445	667	86,474
1920-21	124,304	50,745	1,155	178,204

TABLE 11.—DISTRIBUTION OF THE NET RECEIPT OF ESTATE DUTY DURING THE YEAR ENDED 31ST MARCH, 1921, ACCORDING TO THE SEVERAL CLASSES OF ESTATES AND RATES AT WHICH DUTY WAS CHARGED.

CLASS OF ESTATE (VALUE).		RATE OF DUTY.	NET RECEIPT OF DUTY.			
			ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
Not exceeding £ gross	£ gross	Each Estate.	£	£	£	£
Exceeding 300	300	30s.	29,611	4,680	5,452	39,743
Not exceeding 300 and	£ net	50s.	28,518	4,153	4,081	36,752
Exceeding 300 and	£ net	Per cent.				
100	1,000	1	26,573	3,245	2,849	32,667
1,000	5,000	2	230,536	28,646	23,353	282,535
5,000	10,000	3	1,447,498	210,092	31,018	1,688,608
10,000	15,000	3	1,037	213	379	1,629
15,000	20,000	4	1,337,581	175,069	99,709	1,612,299
20,000	25,000	4	2,142	1,045	643	3,830
25,000	30,000	4 or 5	1,226,310	149,631	76,717	1,452,658
30,000	40,000	6	48,769	13,198	8,956	65,330
40,000	50,000	4 or 6	844,708	110,230	41,176	996,114
50,000	60,000	7	147,258	8,826	3,363	165,040
60,000	80,000	4 or 8	814,537	93,587	39,994	948,118
80,000	100,000	7	70,146	17,659	16,027	103,832
100,000	150,000	4½ or 6	685,696	90,565	42,222	818,483
150,000	200,000	8	88,338	20,367	11,513	120,218
200,000	250,000	4½ or 6	1,287,679	172,414	82,655	1,542,748
250,000	300,000	9	186,140	22,442	13,836	224,418
300,000	400,000	4½ or 7	1,139,418	214,609	32,255	1,386,282
400,000	500,000	10	85,727	7,090	—2,204*	90,613
500,000	600,000	5 or 7	894,022	95,852	28,708	1,018,582
600,000	800,000	11	203,259	22,787	25,971	252,017
800,000	1,000,000	5, 5½, 7 or 8	978,268	62,993	30,462	1,071,723
1,000,000	1,500,000	12	615,801	143,111	71,733	830,645
1,500,000	2,000,000	13	154,078	21,789	21,282	197,149
2,000,000	3,000,000	5½, 8 or 9	645,175	106,635	22,233	774,043
3,000,000	—	14	563,354	95,437	29,919	688,710
Settlement Estate Duty	—	6, 9 or 10	724,577	87,715	35,471	847,763
		14	552,256	—47*	21,638	573,847
		15	680,116	71,958	38,370	790,444
		16	1,145,692	107,530	36,238	1,289,460
		6½, 7, 10 or 11	259,762	15,543	26,151	301,456
		17	855,030	188,812	34,038	1,077,900
		18	661,175	133,102	35,287	829,564
		6½, 7, 11 or 12	172,180	—14,162*	20,047	178,065
		19	536,315	38,634	—	574,949
		20	551,637	200,156	96,780	848,573
		7, 8, 11 or 13	—10,265*	48,375	36,700	74,810
		21	549,551	120,604	131,837	801,992
		7, 8, 11, 14 or 15	570,853	124,069	58,485	753,407
		22	499,785	211,962	80,229	791,976
		23	718,940	88,817	87,728	895,485
		7, 8, 12 or 16	399,023	—53,340*	27,066	372,749
		24	370,598	—	64,600	435,198
		25	223,095	110,105	—	333,200
		7½, 9, 12 or 17	58,439	20,468	37,200	116,107
		26	889,681	—	—	889,681
		7½, 9, 10, 13 or 18	117,679	74,556	5,111	197,346
		27	397,970	303,525	—	701,495
		7½, 10, 14 or 19	12,829	43,770	977	57,576
		28	1,225,034	—	—	1,225,034
		8, 10 & 11, 15 or 20	1,816,845	12,406	20,229	1,849,480
		30	1,448,595	248,688	—	1,697,283
		32	—364,850*	466,415	—	101,565
		8, 10 & 12, 15 or 20	305,205	1,789	—	306,994
		35	1,326,282	—	—	1,326,282
		8, 10 & 13, 10 & 14, 15 or 20	98,059	1,551	—	99,610
		40	2,521,352	711,658	—	3,233,010
		8, 10 & 15, 15 or 20	542,107	—6,938*	—	535,169
		40	—	—	—	—
		1 and 2	22,843	24,073	14,455	61,371
TOTAL			33,662,569	5,278,099	1,672,959	40,613,627

* Transfers to other rates in excess of receipts.

NOTE.—The appearance in the table of several rates of duty for each class of estate arises from the fact that payment of duty in any year relates to deaths occurring in that and previous years, during which changes in the rates of duty took place as shown in Table 8.

ESTATE DUTY.

STATISTICS OF CAPITAL VALUES.

1. As explained in our last Report, the compilation of statistics of capital value extracted from the affidavits and other documents presented to us for the purposes of the Death Duties was almost entirely suspended during the war, and only resumed from the 1st July, 1919. The statistics contained in this Report are therefore the first post-war figures for a full year.

2. Any consideration of the post-war statistics, and particularly any comparison with the pre-war statistics, needs to be undertaken in the light of the observations made in our last Report on the modifications made in the scope and form of presentation of the post-war figures.

3. For the year 1920-21, we have analysed the capital on which duty was paid in England by reference to the ages of deceased persons. A similar investigation was made for the "capital of which we had notice" in the years 1911-12, 1912-13, 1913-14 and 1914-15, full particulars of which are contained in our 57th and 58th Reports. Table 19 shows the analysis of the capital paying duty in 1920-21, and Tables 20 and 21 provide a percentage comparison with the last pre-war year 1914-15. The distinction between "capital of which we had notice," the basis of the pre-war statistics, and "capital on which duty is paid in the year," the basis of the post-war statistics, is explained on page 18 of our last Report. These particular pre-war and post-war statistics are also not absolutely comparable, because although the Settlement Estate Duty was repealed in 1914, the full effect of that repeal would not have made itself felt in the 1914-15 statistics. Information is not available as to the precise correction which should be made on this account, but its magnitude is probably not sufficient to impair the general validity of the comparison. It should also be borne in mind that statistics of capital values derived from the estate duty for any one year cannot be regarded as perfectly representative of the distribution over a period, since the nature of the duty gives rise to fluctuations of capital values liable to the duty from year to year, especially in the larger estates, which are few in number.

4. The arrangement of the Estate Duty tables is in the following general order:—

- (a) General classification of liable estates (Tables 12 to 17).
- (b) Special classification by reference to age groups (Tables 18 to 21).
- (c) Special classification by reference to legal title, &c. (Table 22).
- (d) Classifications for 1920-21 and previous years (Tables 23 and 24).
- (e) Exempt and insolvent estates (Tables 23 to 25).

TABLE 12.—GROSS CAPITAL, DEDUCTIONS THEREFROM, AND NET CAPITAL ON WHICH ESTATE DUTY WAS PAID IN THE YEAR ENDED 31ST MARCH, 1921.

	Estates or Portions of Estates liable to Duty and paying Duty.		
	Gross Capital.	Deductions.	Net Capital.
England	£ 357,666,092	£ 30,480,314	£ 327,185,778
Scotland	51,534,283	5,830,452	45,703,831
Ireland	21,555,915	3,099,699	18,456,216
UNITED KINGDOM ..	430,756,290	39,410,465	391,345,825

5. In addition, certain cases came before the Department which were exempt, either because the estate fell below the £100 limit of liability to the duty or because it was insolvent. Details of these estates are given on page 32. In the great majority of such cases, however, no probate is applied for, and hence no documents are presented to the Department. It follows that information as to the capital in such estates is not obtainable.

TABLE 13.—CLASSIFICATION OF THE NUMBER OF ESTATES LIABLE TO ESTATE DUTY IN THE YEAR ENDED 31ST MARCH, 1921, AS REPRESENTED BY THE NUMBER OF AFFIDAVITS FOR PROBATE OR ADMINISTRATION PRESENTED FOR PAYMENT OF DUTY.

CLASS.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
Small Estates—	No.	No.	No.	No.
Not exceeding £300 gross value	19,800	3,207	3,461	26,468
Exceeding £300, but not exceeding £500 gross value NET.	11,377	1,680	1,596	14,653
Exceeding Not exceeding				
£ £				
100 1,000 ..	19,312	2,292	2,020	23,624
1,000 5,000 ..	18,323	2,671	1,504	22,498
5,000 10,000 ..	3,904	549	294	4,747
10,000 15,000 ..	1,516	217	85	1,818
15,000 20,000 ..	787	111	40	938
20,000 25,000 ..	508	65	25	598
25,000 30,000 ..	293	44	20	357
30,000 40,000 ..	420	53	28	501
40,000 50,000 ..	254	46	8	308
50,000 60,000 ..	148	19	6	173
60,000 80,000 ..	198	28	10	236
80,000 100,000 ..	119	19	4	142
100,000 150,000 ..	136	11	5	152
150,000 200,000 ..	58	12	5	75
200,000 250,000 ..	26	5	2	33
250,000 300,000 ..	10	2	2	14
300,000 400,000 ..	16	4	4	24
400,000 500,000 ..	8	3	—	11
500,000 600,000 ..	6	—	—	6
600,000 800,000 ..	6	2	—	8
800,000 1,000,000 ..	4	—	—	4
1,000,000 1,500,000 ..	6	1	—	7
1,500,000 2,000,000 ..	2	—	—	2
2,000,000 3,000,000 ..	1	1	—	2
3,000,000	—	—	—	—
TOTAL	77,238	11,042	9,119	97,399

TABLE 14.—CLASSIFICATION OF THE NET CAPITAL VALUE OF ESTATES OR PORTIONS OF ESTATES ON WHICH ESTATE DUTY WAS PAID IN THE YEAR ENDED 31ST MARCH, 1921.

NOTE.—In this table Leaseholds are classed with Realty.

Class.	ENGLAND.			SCOTLAND.			IRELAND.			UNITED KINGDOM.			
	Personalty.	Realty.	Total.	Personalty.	Realty.	Total.	Personalty.	Realty.	Total.	Personalty.	Realty.	Total.	Per Cent.
Small Estates—													
Not exceeding £300 gross value	3,998,898	505,085	3,904,984	563,698	30,367	594,065	416,567	227,988	644,555	4,360,102	765,450	5,125,552	1.81
Exceeding £300, but not exceeding £500 gross value	3,428,782	1,039,472	4,468,254	575,365	71,931	647,296	394,887	231,980	616,867	4,369,034	1,340,363	5,729,417	1.46
NET.													
But not exceeding £1,000	9,264,248	4,987,424	14,251,672	1,357,535	387,207	1,754,742	767,124	621,202	1,408,326	11,408,907	6,005,633	17,414,540	4.45
£1,000	34,080,047	14,533,094	48,613,141	5,418,508	1,432,221	6,850,727	674,577	1,544,437	879,014	38,943,966	17,509,752	56,453,718	14.43
£5,000	25,588,354	8,132,622	33,720,976	3,510,167	475,942	4,275,109	1,697,719	768,962	2,466,681	30,296,230	9,664,578	40,460,808	10.34
£10,000	19,469,800	5,185,690	24,655,490	2,569,741	407,858	3,275,599	1,046,949	483,407	1,530,356	23,998,495	6,076,955	30,165,450	7.45
£15,000	11,120,863	2,963,810	13,978,673	1,728,357	347,619	2,075,976	533,641	215,472	749,114	12,925,617	3,372,106	16,297,723	4.17
£20,000	7,255,000	2,994,245	10,249,245	1,268,358	204,989	1,473,347	338,474	172,847	511,321	8,526,876	2,200,981	10,727,857	2.73
£25,000	4,300,000	2,067,112	6,367,112	1,286,110	159,946	1,446,056	596,259	311,825	908,084	5,148,778	1,357,668	6,506,446	1.65
£30,000	12,783,478	3,003,203	15,786,681	1,856,881	333,668	2,190,549	892,922	214,955	1,077,877	15,513,281	3,310,911	18,824,192	4.87
£40,000	11,071,756	2,926,376	13,998,132	2,149,703	311,867	2,461,570	441,538	129,178	570,716	13,662,997	2,800,197	16,463,194	4.34
£50,000	7,411,662	1,875,119	9,286,781	1,428,357	187,753	1,616,110	289,110	106,897	396,007	8,304,197	1,699,800	9,994,000	2.68
£60,000	12,324,256	3,034,886	15,359,142	1,528,816	332,515	1,861,331	374,725	247,572	622,307	14,727,797	3,614,973	18,342,770	4.69
£80,000	8,604,241	1,914,316	10,518,557	1,561,325	185,978	1,747,303	602,361	—	594,782	10,767,927	2,092,715	12,860,642	3.29
£100,000	18,163,093	4,663,731	22,826,824	3,317,895	668,108	3,986,003	696,012	404,065	1,010,077	20,087,000	5,735,904	25,822,904	6.60
£150,000	8,554,090	2,203,910	10,757,910	1,771,850	197,286	1,972,886	470,778	70,125	540,903	10,796,628	2,402,270	13,278,898	3.39
£200,000	4,573,540	1,192,048	5,765,588	850,612	37,219	887,831	472,642	173,003	645,645	5,998,794	1,320,904	7,319,698	1.85
£250,000	1,778,587	745,192	2,523,779	365,849	134,375	500,224	208,066	77,346	285,372	3,435,732	856,913	4,292,645	1.12
£300,000	5,635,339	3,202,501	8,837,840	1,932,594	329,562	2,262,156	806,066	118,410	924,476	8,050,744	1,618,662	9,669,406	2.45
£400,000	3,548,825	1,331,689	4,880,514	1,973,233	86,366	2,059,600	1,037,811	86,589	1,124,410	3,879,690	1,517,755	5,397,445	1.38
£500,000	3,174,254	1,361,684	4,535,938	1,686,944	91,069	1,778,013	311,142	99,890	410,832	3,310,866	759,423	4,070,289	1.04
£600,000	1,107,318	566,574	1,673,892	465,505	383,412	848,917	90,147	161,410	30,559	2,220,380	1,149,998	3,370,378	0.86
£800,000	2,376,976	1,649,137	4,026,113	1,082,500	465	1,082,965	—	—	—	2,073,130	1,486,000	3,559,130	0.90
£1,000,000	7,787,217	5,184,824	12,972,041	2,235,913	216,085	2,452,000	—	—	130,081	10,023,130	2,370,441	12,393,571	3.14
£1,500,000	7,681,611	4,466,385	12,148,000	1,805,782	11,925	1,817,707	—	—	—	3,661,613	1,478,510	5,140,123	1.32
£2,000,000	2,348,125	4,439,133	6,787,258	1,805,782	57,567	1,863,349	—	—	—	4,153,907	4,496,720	8,650,627	2.21
£3,000,000	2,309,584	293,364	2,593,948	64,443	25,120	89,563	—	—	—	2,365,027	318,484	2,683,511	0.69
TOTAL	243,371,672	53,890,106	297,165,778	38,218,243	7,468,566	45,706,831	12,173,324	6,282,692	18,456,016	253,766,238	97,679,466	351,345,704	100.00

† Capital transferred to other classes exceeded that brought into this class.

The above figures do not include estates not exceeding 100*l.* net value, which are exempt by law, nor do they include Insolvent Estates. The details of both these classes of estates are given in Table 25.

It may happen that the net capital in certain of the classes is less than the amount which would be produced by multiplying the *minimum* of the class by the number of estates in it, as shown in the appropriate column of Table 13, and in some cases more than would be produced by the *minimum* of the class by the number of estates in it. This is mainly due to the system of payment by instalments, under which a state will be classified, the balance being dealt with in subsequent years, as the duty is paid. Moreover, property is occasionally without an affidavit for probate or administration being presented, so that property is included in Table 14, which is not represented in Table 13; and an estate in Table 13 is sometimes chargeable to duty in portions at different rates, so that an estate in one may be represented by property in two or more classes of Table 14.

TABLE 15.—A CLASSIFICATION IN DETAIL OF THE GROSS CAPITAL VALUE OF PERSONALTY, FREE OR SETTLED, WHETHER IN OR OUT OF THE UNITED KINGDOM, IN RESPECT OF WHICH ESTATE DUTY WAS PAID IN THE YEAR ENDED 31ST MARCH, 1921.

(Leaseholds for years in England and Ireland, and Yearly Tenants' Interests or Rights (Ireland), though subject to duty as Personality, are not included in this table. They have been treated as Realty, and will be found in Table No. 16.)

	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
1. Government and Municipal Securities :—	£	£	£	£
(a) British Government Securities issued up to 1914 inclusive ..	4,941,273	162,492	329,715	5,433,480
(b) British Government Securities issued since 1914	39,173,448	6,003,296	1,804,565	46,981,309
(c) British Municipal Securities	5,683,125	395,794	84,638	6,163,557
(d) Dominion* Securities, Government and Municipal	10,466,384	583,644	312,758	11,362,786
(e) Foreign Securities, Government and Municipal	4,602,941	199,581	130,820	4,933,342
2. Proprietary Shares or Debentures in Joint Stock, &c., Companies:				
(a) British Companies ..	83,968,557	15,194,516	5,345,968	104,509,041
(b) Dominion* Companies	7,444,408	1,146,834	425,495	9,016,737
(c) Foreign Companies ..	3,686,143	497,527	471,867	4,655,537
3. Money out on Mortgage of Real Estate in :—				
(a) United Kingdom ..	11,974,897	1,987,885	370,269	14,333,051
(b) Dominions*	94,305	40,378	4,923	139,606
(c) Foreign Countries ..	67,726	26,863	315	94,904
4. Money on Bonds, Bills, Notes, and other Securities	7,505,078	1,800,424	127,239	9,432,739
5. Other Debts due to deceased, including unpaid purchase money of Real and Leasehold Estate contracted in lifetime of deceased to be sold ..	5,029,565	324,305	706,468	6,060,338
6. Household Goods, Pictures, China, Linen, Apparel, &c.	13,385,692	1,738,301	609,522	15,733,515
7. Policies of Insurance on the life of the deceased or of any other person, and bonuses thereon.. .. .	11,270,837	1,622,137	734,307	13,627,281
8. Cash :—				
(a) In the House ..	748,149	110,160	98,441	956,750
(b) At the Bank ..	23,562,391	4,154,045	2,209,712	29,926,148

* The term "Dominion" includes not only the self-governing Dominions, but also India and British Possessions generally.

TABLE 15.—A CLASSIFICATION IN DETAIL OF THE GROSS CAPITAL VALUE OF PERSONALTY, FREE OR SETTLED, WHETHER IN OR OUT OF THE UNITED KINGDOM, IN RESPECT OF WHICH ESTATE DUTY WAS PAID IN THE YEAR ENDED 31ST MARCH, 1921—*continued.*

	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
9. Trade, Business, and Professional Assets:—	£	£	£	£
(a) Plant, Machinery and Fixed Assets ..	594,093	46,618	9,272	649,983
(b) Patent Rights ..	14,110	4,141	—	18,251
(c) Copyrights ..	39,691	104	—	39,795
(d) Book Debts ..	4,035,894	440,523	316,688	4,793,105
(e) Farming Stock ..	3,785,580	1,218,403	1,047,338	6,051,321
(f) Stock other than Farming ..	5,356,021	711,969	349,008	6,416,998
(g) Goodwill, including Trade Marks ..	1,263,872	108,012	36,192	1,408,076
10. Ships or Shares of Ships ..	147,387	86,986	970	235,343
11. Expectant Interests (under Will or Settlement)	1,386,549	287,711	39,972	1,714,232
12. Share of deceased in personal estate of a partnership, so far as not apportionable among other items	5,061,432	999,724	55,342	6,116,498
13. Proceeds of Sale of Settled Realty, &c., except so far as distributed among other items	456,950	69,778	25,264	551,992
14. Income due, <i>i.e.</i> , Rents, Profits, Dividends and Interest to date of death	3,002,713	513,407	112,047	3,628,167
15. Not classified	3,192,320	1,089,127	1,858,355	2,423,092
TOTAL GROSS CAPITAL VALUE	261,941,529	41,564,685	13,900,760	317,406,974
<i>Deductions.</i>				
Bequests for National Purposes	48,045	48,328	—	96,373
Objects of National, &c., Interest settled to be enjoyed in kind	31,365	63,671	4,000	99,036
Debts owing to Persons resident in the United Kingdom	16,676,087	2,569,898	1,463,048	20,709,033
Funeral Expenses	1,460,594	255,071	115,652	1,831,317
Other Deductions	347,766	412,474	144,736	904,976
Total Deductions	18,563,857	3,349,442	1,727,436	23,640,735
TOTAL NET CAPITAL VALUE	£ 243,377,672	38,215,243	12,173,324	293,766,239

INCLUDING LEASEHOLDS, &c., ACCORDING TO TENURE AND NATURE, WHICH DUTY WAS PAID IN THE YEAR ENDED 31ST MARCH, 1921.

Assessment (Schedule A), or the rental value of the property if let, or the gross estimated to the property, *e.g.*, ground rents, chief rents, quit rents, tithes and tithe rent charges if admittance to copyholds, payments for compulsory enfranchisement of copyholds, &c., sold in the open market. There are, however, special provisions relating to certain classes are permissible deductions under the provisions of the Death Duty Acts. (Finance Act,

VALUE.				Net.	Average number of years' purchase— Gross Capital Value.		Average percentage of deductions.		Number of Cases of Each Description of Property.
Deductions.					On Gross Annual Value.	On Net Annual Value.	From Gross Annual Value.	From Gross Capital Value.	
Mortgages.	Rent Charges.	Other.	Total.						
£	£	£	£	£					
3,043,730	119,969	243,257	3,406,956	26,780,695	22.0	25.8	14.94	11.28	5,720
983,622	7,666	166,123	1,157,411	2,605,634	20.9	28.3	26.23	29.20	721
593,491	180	17,100	610,771	1,726,971	25.7	28.3	2.51	26.12	3,237
6,435,389	48,117	308,840	6,792,346	41,798,345	15.1	19.0	20.45	13.98	25,968
1,356,089	127	53,266	1,409,482	5,173,288	13.4	20.3	34.11	21.41	4,620
1,548,914	50	3,266	1,551,930	11,506,170	9.4	14.5	34.97	11.88	11,956
127,275	—	—	127,275	273,149	10.6	22.8	53.38	31.78	1,647
30,402	—	7,120	37,522	1,010,215	13.1	13.15	—	3.58	117
6,406	—	1,358	7,764	681,879	—	—	—	1.13	362
5,287	—	1,782	7,069	140,868	14.8	17.6	16.33	4.78	65
502,806	4,191	128,851	635,648	4,119,262	17.6	17.9	1.74	13.37	1,288
7,127	—	889	8,016	76,638	12.5	12.6	1.01	9.45	30
—	—	—	—	5,112	—	—	—	—	6
1,831	—	667	2,498	1,308,456	20.9	20.9	0.06	0.19	311
—	—	—	—	22,946	—	—	—	—	15
8,910	—	2,863	11,773	48,560	—	—	—	19.51	40
2,140	—	1,129	3,269	101,196	11.2	11.2	—	3.13	63
14,652,919	180,300	936,511	15,769,730	97,579,566	—	—	—	—	—

TABLE 17.—CLASSIFICATION, FOR THE UNITED KINGDOM, OF
OF PROPERTY IN RESPECT OF WHICH ESTATE DUTY

Class.	Government and Municipal Securities.		Stocks, Shares, &c., of Joint Stock, &c., Companies.	Cash.	Money lent on Mortgages, Bonds, Bills, &c.	Trade Assets.	Policies of Insurance.	
	British Government Securities issued since 1914. Table 15, item 1 (b).	Other Securities. Table 15, item 1, (a, c & d.)						
Small Estates, not exceeding £300 gross value.	£ 489,746	£ 71,316	£ 199,669	£ 1,671,362	£ 341,684	£ 196,080	£ 606,322	
Small Estates, exceeding £300, but not exceeding £500 gross value.	652,362	103,000	313,385	1,407,303	415,534	275,886	456,002	
Exceeding £ net. 100	Not exceeding £ net. 1,000 ..	1,879,310	611,769	1,816,762	3,184,105	1,406,547	1,559,531	1,386,895
1,000	5,000 ..	6,736,765	3,378,155	9,945,454	7,672,237	5,596,113	5,196,626	2,889,025
5,000	10,000 ..	4,567,948	3,121,131	10,273,423	3,677,706	3,800,353	3,096,270	1,526,565
10,000	15,000 ..	3,302,637	2,577,767	8,350,179	2,073,422	2,831,304	2,240,448	946,401
15,000	20,000 ..	2,061,764	1,401,630	5,976,058	1,202,701	1,577,455	1,081,877	527,737
20,000	25,000 ..	1,901,697	1,464,103	5,340,527	967,642	1,534,058	947,070	493,218
25,000	30,000 ..	1,320,058	1,046,906	3,937,507	726,601	1,024,358	623,443	427,964
30,000	40,000 ..	2,259,343	1,542,218	6,902,962	1,252,875	1,664,616	1,023,429	455,267
40,000	50,000 ..	2,092,620	1,266,869	6,335,170	1,110,177	1,167,099	853,509	521,891
50,000	60,000 ..	1,101,988	1,135,123	3,960,473	504,882	742,033	721,944	169,302
60,000	80,000 ..	2,254,445	1,229,793	7,417,646	969,464	1,110,381	709,438	494,436
80,000	100,000 ..	1,877,012	815,930	5,311,749	797,754	958,054	773,910	439,107
100,000	150,000 ..	3,298,703	1,780,196	9,415,912	1,162,587	2,093,574	1,802,329	514,858
150,000	200,000 ..	1,635,202	784,199	5,810,614	197,503	1,098,845	918,615	252,191
200,000	250,000 ..	1,056,293	547,951	3,459,849	399,629	286,582	659,340	38,599
250,000	300,000 ..	593,723	194,622	2,904,123	—156,859*	29,205	—173,403*	65,441
300,000	400,000 ..	1,548,916	802,513	4,203,593	625,178	494,936	957,483	296,032
400,000	500,000 ..	391,279	545,898	2,200,547	297,320	66,530	—134,611*	106,871
500,000	800,000 ..	1,178,018	329,038	1,563,935	99,552	56,230	14,972	125,601
600,000	800,000 ..	346,525	272,852	552,542	133,070	114,194	34,702	540,889
800,000	1,000,000 ..	1,007,791	106,178	1,860,520	26,270	—434,701*	62,427	2,769
1,000,000	1,500,000 ..	979,091	834,829	5,691,127	636,165	2,150,550	785,138	211,458
1,500,000	2,000,000 ..	290,170	351,949	1,239,473	141,970	14,579	1,486,737	128,240
2,000,000	3,000,000 ..	917,215	101,181	3,100,617	159,751	23,694	35,126	—
3,000,000	.. ..	1,240,690	1,476,049	97,499	—77,669*	—103,169*	—	—
Total	£	46,981,309	27,893,166	118,167,315	38,882,896	38,060,638	25,752,316	13,627,261
	Per cent.	10·91	6·48	27·44	7·17	6·98	5·98	3·16

* Capital transferred to other classes exceeded that brought into this class.

THE GROSS CAPITAL VALUES OF THE PRINCIPAL DESCRIPTIONS
WAS PAID IN THE YEAR ENDED 31ST MARCH, 1921.

Household Goods, China, &c.	Land.	House Property and Business Premises.	Ground Rents, &c.	Mines, Minerals, and Quarries.	Other Property.		Total Gross Capital Values.	Total Deductions.	Total Net Capital Values.
					Personality.	Realty.			
Table 15, item 6.	Table 16, items 1, 2, 3 and 7.	Table 16, items 4, 5 and 6.	Table 16, items 10 and 11.	Table 16, item 8.	Table 15, items 11, 13, 14 and 15.	Table 16, items 9, 12, 13, 14, 16 and 17.			
£ 609,981	£ 362,042	£ 670,148	£ 2,514	£ 30	£ 189,942	£ 688	£ 5,415,524	£ 271,972	£ 5,143,552
573,073	339,874	1,246,622	1,827	593	192,489	886	5,978,836	246,419	5,732,417
1,511,275	1,263,694	7,048,819	43,834	1,385	989,634	76,423	22,779,983	5,365,243	17,414,740
3,199,618	3,596,414	16,999,196	218,896	9,114	—692,726*	235,363	64,980,250	8,526,532	56,453,718
1,686,239	2,214,272	8,783,590	201,655	30,143	1,784,497	237,374	45,001,164	4,540,508	40,460,656
1,216,127	1,671,701	5,216,506	193,791	15,866	1,039,414	182,588	31,858,151	2,694,701	29,163,450
775,642	971,316	2,716,773	163,236	17,436	773,574	95,285	19,342,484	1,438,747	17,903,737
615,595	980,129	2,577,689	104,236	9,026	534,969	101,637	17,571,596	1,273,873	16,297,723
425,752	878,948	1,666,772	135,077	57,768	576,517	62,916	12,910,787	953,128	11,957,659
655,193	1,065,083	2,618,662	228,043	19,836	664,597	128,356	20,480,480	1,415,373	19,065,107
524,707	1,275,468	2,218,635	124,989	17,327	690,303	82,355	18,281,119	1,307,211	16,973,908
310,769	879,553	1,377,424	131,268	20,386	220,120	73,519	11,348,784	874,778	10,474,006
519,848	1,634,489	2,039,878	205,162	93,345	608,675	111,971	19,418,971	1,076,201	18,342,770
406,062	1,076,840	1,145,002	181,710	4,886	187,045	27,987	14,003,048	1,142,406	12,860,642
797,099	3,398,335	2,315,939	241,067	71,697	634,815	195,219	27,722,330	1,899,426	25,822,904
323,411	1,543,801	1,036,116	176,185	4,415	404,681	59,578	14,245,356	973,657	13,271,699
275,943	1,634,734	447,296	31,000	—63,866*	—563,953*	94,906	8,304,303	—94,761*	8,399,064
114,630	671,044	242,713	72,663	31,594	6,985	56,743	4,653,224	260,579	4,392,645
340,817	1,778,062	1,830,627	699,720	350,748	197,210	142,015	14,267,850	2,043,444	12,224,406
169,300	903,377	382,353	227,951	164,025	440,808	41,836	5,805,484	408,039	5,397,445
59,859	517,615	149,798	134,682	94	59,989	9,585	4,299,168	228,779	4,070,389
116,807	561,316	443,150	226,787	—127,910*	161,867	91,885	3,468,676	98,310	3,370,366
—16,517*	1,541,582	317,246	—5,865*	168,220	—68,189*	41,394	4,609,125	364,684	4,244,441
431,597	2,213,615	2,443,919	1,106,564	113,155	—610,409*	54,626	17,041,425	1,627,305	15,414,120
73,975	1,535,788	—131,037*	40,895	37,600	61,609	46,844	5,320,792	160,689	5,160,123
16,655	2,304,308	2,184,912	6,750	—	15,062	750	8,866,021	215,394	8,650,627
58	75,462	242,813	8,210	824	—182,045*	2,634	2,781,359	97,848	2,683,511
15,731,515	36,688,862	63,231,561	4,962,847	1,047,737	8,317,483	2,255,363	430,756,290	39,410,465	391,345,825
3·65	8·56	15·84	1·14	0·24	1·93	0·52	100·00	9·15	90·85

* Capital transferred to other classes exceeded that brought into this class.

TABLE 18.—CLASSIFICATION (ACCORDING TO THE AGGREGATE AMOUNT OF THE ESTATE AND THE OWNER'S AGE AT DEATH) OF THE NUMBER OF ESTATES UPON WHICH ESTATE DUTY WAS PAID DURING THE YEAR ENDED 31ST. MARCH, 1921.

ENGLAND.

Class of Estate (Capital Value).		Age Groups.													Cases in which the age was not dis- closed.	Total Num- ber of Estates.
Exceed- ing.	Not exceeding.	Under 5 years.	5 to 9.	10 to 14.	15 to 19.	20 to 24.	25 to 34.	35 to 44.	45 to 54.	55 to 64.	65 to 74.	75 to 84.	85 and up- wards.			
£	£															
Gross.	Gross.															
—	300	8	6	21	72	346	1,322	2,008	2,683	3,947	4,613	3,208	864	702	19,800	
300	500	5	8	7	13	83	466	890	1,658	2,380	2,929	2,000	525	413	11,377	
Net.	Net.															
100	1,000	4	2	4	20	123	568	1,380	2,627	4,057	4,910	3,785	1,076	756	19,312	
1,000	5,000	5	1	4	11	55	292	973	2,072	3,576	4,952	4,298	1,299	785	18,323	
5,000	10,000	—	—	—	13	43	127	386	714	1,103	937	337	337	244	3,904	
10,000	15,000	—	—	—	2	2	17	56	150	270	432	383	108	96	1,516	
15,000	20,000	—	—	—	—	2	8	32	60	144	219	193	78	51	787	
20,000	25,000	—	—	—	—	—	2	21	45	84	158	146	52	—	508	
25,000	30,000	—	—	—	—	—	—	12	17	56	104	65	39	—	293	
30,000	40,000	—	—	—	—	—	4	9	36	77	129	119	46	—	420	
40,000	50,000	—	—	—	—	—	1	5	13	38	90	80	27	—	254	
50,000	60,000	—	—	—	—	1	1	7	7	23	48	43	18	—	148	
60,000	80,000	—	—	—	—	1	—	—	20	42	53	65	17	—	198	
80,000	100,000	—	—	—	—	—	—	1	8	19	38	33	20	—	119	
100,000	150,000	—	—	—	—	1	—	3	12	33	46	30	11	—	136	
150,000	200,000	—	—	—	—	—	—	2	4	11	19	13	9	—	58	
200,000	250,000	—	—	—	—	—	—	1	2	9	5	6	3	—	26	
250,000	300,000	—	—	—	—	—	—	1	1	1	3	3	1	—	10	
300,000	400,000	—	—	—	—	—	—	1	1	1	2	5	6	—	16	
400,000	500,000	—	—	—	—	—	1	—	3	—	1	2	1	—	8	
500,000	600,000	—	—	—	—	—	—	1	—	—	2	2	1	—	6	
600,000	800,000	—	—	—	—	—	—	—	1	—	4	—	1	—	6	
800,000	1,000,000	—	—	—	—	—	—	—	—	—	1	1	2	—	4	
1,000,000	1,500,000	—	—	—	—	—	—	—	—	1	—	5	—	—	6	
1,500,000	2,000,000	—	—	—	—	—	—	—	—	—	2	—	—	—	2	
2,000,000	3,000,000	—	—	—	—	—	—	—	—	—	—	—	1	—	1	
3,000,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
TOTAL	..	22	17	38	118	627	2,725	5,530	9,808	15,483	19,843	15,422	4,542	2,047	77,238	

TABLE 19.—CLASSIFICATION (ACCORDING TO THE AGGREGATE AMOUNT OF THE ESTATE AND THE OWNER'S AGE AT DEATH) OF THE NET CAPITAL VALUE OF ESTATES OR PORTIONS OF ESTATES UPON WHICH ESTATE DUTY WAS PAID DURING THE YEAR ENDED 31ST MARCH, 1921.

ENGLAND.

Class of Estate. (Capital Value).		Age Groups.											Cases in which the age was not disclosed.	Total Value.		
Exceeding.	Not exceeding.	Under 5 years.	5-9	10-14	15-19	20-24	25-34	35-44	45-54	55-64	65-74	75-84			85 and upwards.	
£ Gross.	£ Gross.	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
300	300	1,385	3,224	3,872	12,345	59,087	247,143	393,787	537,889	793,738	919,815	631,279	171,583	132,227	3,904,984	
—	500	1,867	4,986	2,677	4,986	32,297	179,662	351,694	653,499	936,094	1,147,322	789,519	208,068	161,125	4,466,254	
Net.	Net.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
100	1,000	1,726	860	3,741	11,303	82,154	378,740	955,738	1,901,685	3,003,521	3,684,531	2,673,148	822,810	531,695	14,251,672	
5,000	5,000	9,135	—	6,870	29,853	136,417	726,870	2,472,312	5,363,372	9,483,607	13,186,941	11,624,202	3,600,968	2,001,833	48,623,141	
10,000	10,000	—	—	—	—	102,058	354,796	1,107,255	3,341,077	6,196,604	9,523,553	8,043,363	2,852,670	2,099,600	33,720,978	
15,000	15,000	—	—	—	—	51,165	290,669	906,639	2,434,161	4,464,300	7,078,288	6,218,743	1,833,819	1,342,253	24,655,495	
20,000	20,000	—	—	—	—	41,457	143,128	584,554	1,194,322	2,843,411	4,298,822	3,616,612	1,498,660	857,727	15,078,673	
25,000	25,000	—	—	—	—	—	57,858	509,128	1,321,747	2,430,316	4,461,564	3,955,662	1,380,255	—	14,114,630	
30,000	30,000	—	—	—	—	—	344,780	344,780	517,248	1,850,558	3,545,864	2,157,417	1,307,642	—	9,733,519	
40,000	40,000	—	—	—	—	—	61,727	314,232	1,382,843	2,805,673	4,898,414	4,624,776	1,689,016	—	15,796,681	
50,000	50,000	—	—	—	—	—	62,132	233,017	717,964	2,085,857	4,976,827	4,446,593	1,475,752	—	13,988,132	
60,000	60,000	—	—	—	—	—	67,259	416,101	332,806	1,425,287	3,292,509	2,501,056	1,161,094	—	9,296,781	
80,000	80,000	—	—	—	—	—	—	—	1,555,555	3,336,589	4,136,704	5,005,502	1,226,132	—	15,358,142	
100,000	100,000	—	—	—	—	—	—	—	797,430	1,710,123	3,275,114	3,024,581	1,691,463	—	10,518,557	
150,000	150,000	—	—	—	—	—	192,401	354,961	1,645,613	4,707,492	4,707,492	5,836,453	2,431,331	—	22,826,824	
200,000	200,000	—	—	—	—	—	473	578,974	418,252	2,378,664	3,080,976	3,345,288	1,893,738	—	10,757,910	
250,000	250,000	—	—	—	—	—	19,215	206,671	300,183	2,019,914	1,642,330	1,914,028	855,994	—	6,765,588	
300,000	300,000	—	—	—	—	—	35,305	37,940	52,691	—	1,015,312	1,028,108	387,987	—	2,523,789	
400,000	400,000	—	—	—	—	—	68,461	650,088	750,487	983,297	2,130,638	2,052,188	2,473,378	—	8,637,840	
500,000	500,000	—	—	—	—	—	51,574	105,445	1,507,396	803,297	1,718,754	4,022,355	402,355	—	4,890,524	
600,000	600,000	—	—	—	—	—	32,579	645,209	—	80,537	1,320,826	1,080,965	521,092	—	3,681,208	
800,000	800,000	—	—	—	—	—	—	—	87,714	639,332	1,439,952	—	203,410	—	1,873,890	
1,000,000	1,000,000	—	—	—	—	—	—	—	287,677	830,074	1,027,294	87,887	1,787,886	—	4,026,113	
1,500,000	1,500,000	—	—	—	—	—	—	—	6,750	587,934	3,127,395	7,219,879	2,030,083	—	12,972,041	
2,000,000	2,000,000	—	—	—	—	—	—	—	—	1,425,359	3,733,080	4,651	—	—	5,148,198	
3,000,000	3,000,000	—	—	—	—	—	—	—	—	—	466,117	—	6,321,141	—	6,787,258	
—	—	—	—	—	—	—	—	—	—	—	2,640,460	—	—	—	2,593,948	
TOTAL	TOTAL	14,122	8,881	16,000	83,925	1,046,868	2,978,229	11,191,738	27,106,076	57,899,897	97,636,776	82,255,593	40,115,516	7,126,400	347,165,778	

TABLE 20.—SHOWING, FOR THE YEARS 1914-15 AND 1920-21, THE NET CAPITAL VALUE* OF ESTATES IN EACH SECTION OF EACH AGE GROUP EXPRESSED AS A PERCENTAGE OF THE AGGREGATE CAPITAL IN EACH YEAR.

ENGLAND.

Range of Estate.	AGE GROUPS.												Total.									
	0-19		20-24		25-34		35-44		45-54		55-64		65-74		75-84		85—		Not disclosed.			
	1914	1920	1914	1920	1914	1920	1914	1920	1914	1920	1914	1920	1914	1920	1914	1920	1914	1920	1914	1920		
Exceeding, exceeding.	0-003	0-006	0-018	0-018	0-058	0-076	0-114	0-120	0-173	0-184	0-262	0-243	0-319	0-222	0-193	0-222	0-057	0-052	0-040	0-040	1-248	1-183
£ Gross.	300	500	0-004	0-010	0-040	0-055	0-097	0-108	0-173	0-196	0-280	0-296	0-362	0-263	0-240	0-263	0-080	0-064	0-040	0-040	1-342	1-366
£ Gross.	300	500	0-004	0-010	0-040	0-055	0-097	0-108	0-173	0-196	0-280	0-296	0-362	0-263	0-240	0-263	0-080	0-064	0-040	0-040	1-342	1-366
Net.	1,000	1,000	0-004	0-019	0-094	0-116	0-247	0-262	0-474	0-581	0-813	0-918	1-120	0-921	0-878	0-921	0-297	0-252	0-241	0-241	4-829	4-355
1,000	5,000	0-007	0-015	0-211	0-222	0-496	0-506	0-756	1-344	1-639	2-489	2-892	3-025	4-031	3-550	3-553	1-304	1-101	0-878	0-812	14-343	14-862
5,000	10,000	—	0-011	0-031	0-126	0-108	0-412	0-339	0-879	1-021	1-560	1-894	2-621	2-911	2-500	2-458	0-984	0-902	0-576	0-642	9-669	10-306
10,000	20,000	—	0-004	0-028	0-118	0-132	0-366	0-456	0-785	1-099	2-096	2-234	3-742	3-477	3-006	1-250	1-018	0-833	0-672	—	11-604	12-149
20,000	25,000	—	0-008	—	0-118	0-118	0-366	0-456	0-785	1-099	2-096	2-234	3-742	3-477	3-006	1-250	1-018	0-833	0-672	—	4-108	4-314
25,000	40,000	—	0-014	—	0-086	0-025	0-189	0-201	0-514	0-581	1-423	1-426	2-424	2-581	2-373	1-208	0-685	0-422	0-324	—	8-667	7-803
40,000	50,000	—	—	0-019	0-039	0-019	0-071	0-071	0-297	0-220	0-605	0-637	1-241	1-521	1-965	1-359	0-524	0-451	0-268	—	4-020	4-278
50,000	80,000	—	—	0-007	0-028	0-022	0-020	0-096	0-127	0-375	1-021	1-021	1-521	1-965	1-965	1-359	0-524	0-451	0-268	—	3-694	2-838
80,000	100,000	—	—	0-042	0-031	0-034	—	0-042	0-042	0-289	0-475	0-436	1-241	1-521	1-965	1-359	0-524	0-451	0-268	—	4-576	4-685
100,000	150,000	—	—	0-042	0-071	0-101	—	0-072	0-066	0-167	0-244	0-244	1-241	1-521	1-965	1-359	0-524	0-451	0-268	—	3-200	3-215
150,000	200,000	—	—	0-042	0-071	0-101	—	0-072	0-066	0-167	0-244	0-244	1-241	1-521	1-965	1-359	0-524	0-451	0-268	—	3-200	3-215
200,000	250,000	—	—	0-042	0-071	0-101	—	0-072	0-066	0-167	0-244	0-244	1-241	1-521	1-965	1-359	0-524	0-451	0-268	—	3-200	3-215
250,000	300,000	—	—	0-042	0-071	0-101	—	0-072	0-066	0-167	0-244	0-244	1-241	1-521	1-965	1-359	0-524	0-451	0-268	—	3-200	3-215
300,000	400,000	—	—	0-042	0-071	0-101	—	0-072	0-066	0-167	0-244	0-244	1-241	1-521	1-965	1-359	0-524	0-451	0-268	—	3-200	3-215
400,000	500,000	—	—	0-042	0-071	0-101	—	0-072	0-066	0-167	0-244	0-244	1-241	1-521	1-965	1-359	0-524	0-451	0-268	—	3-200	3-215
500,000	600,000	—	—	0-042	0-071	0-101	—	0-072	0-066	0-167	0-244	0-244	1-241	1-521	1-965	1-359	0-524	0-451	0-268	—	3-200	3-215
600,000	800,000	—	—	0-042	0-071	0-101	—	0-072	0-066	0-167	0-244	0-244	1-241	1-521	1-965	1-359	0-524	0-451	0-268	—	3-200	3-215
800,000	1,000,000	—	—	0-042	0-071	0-101	—	0-072	0-066	0-167	0-244	0-244	1-241	1-521	1-965	1-359	0-524	0-451	0-268	—	3-200	3-215
1,000,000	—	—	—	0-042	0-071	0-101	—	0-072	0-066	0-167	0-244	0-244	1-241	1-521	1-965	1-359	0-524	0-451	0-268	—	3-200	3-215
Totals .. ..	..	..	0-042	0-249	1-344	0-810	2-784	3-431	6-724	8-268	16-497	17-604	28-514	30-941	26-637	35-130	11-048	12-201	6-141	2-178	100-000	100-000

* See para. 3 on page 15.

TABLE 21.—SHOWING, FOR THE YEARS 1914-15 AND 1920-21, THE NET CAPITAL VALUE* OF ESTATES IN EACH RANGE OF EACH AGE GROUP EXPRESSED AS A PERCENTAGE OF THE TOTAL CAPITAL FALLING INTO THAT AGE GROUP.

ENGLAND.

Range of Estate.	AGE GROUPS.												Total.								
	0-19		20-24		25-34		35-44		45-54		55-64			65-74		75-84		85—		Not disclosed.	
	1914-15.	1920-21.	1914-15.	1920-21.	1914-15.	1920-21.	1914-15.	1920-21.	1914-15.	1920-21.	1914-15.	1920-21.		1914-15.	1920-21.	1914-15.	1920-21.	1914-15.	1920-21.	1914-15.	1920-21.
Exceeding, exceeding, £	7-85	14-25	3-94	5-83	4-24	8-30	4-08	3-52	2-58	1-86	1-59	1-38	1-12	0-98	0-77	0-52	0-43	0-49	1-86	1-19	
Gross, 300	6-20	9-68	3-08	3-08	2-97	6-03	3-49	3-14	2-68	2-41	1-70	1-63	1-27	1-18	0-95	0-72	0-52	0-66	2-28	1-37	
500																					
Net.	7-15	13-41	7-42	7-82	6-97	12-72	6-89	8-54	7-05	7-02	4-93	5-21	3-93	3-77	3-49	2-69	2-05	3-29	7-48	4-36	
100	16-84	35-79	15-60	12-99	13-69	24-41	27-42	22-68	19-39	19-79	23-08	16-43	13-70	13-51	12-51	11-13	9-98	10-99	18-59	14-84	
5,000			4-56	9-72	9-39	11-91	14-50	9-68	13-07	12-33	8-46	0-60	0-75	0-75	0-33	0-30	0-38	4-38	39-46	9-67	
10,000	8-32	26-92	11-80	13-53	13-52	14-56	13-15	4-55	4-26	4-88	4-73	4-22	3-54	4-87	4-81	4-30	3-44	5-95	17-84	12-14	
20,000			6-04	6-43	6-43	7-74	6-79	5-89	7-64	7-01	8-63	8-10	8-32	8-65	8-21	7-58	7-47	6-48	10-87	7-80	
25,000	34-07		6-64	6-43	6-43	7-74	6-79	5-89	7-64	7-01	8-63	8-10	8-32	8-65	8-21	7-58	7-47	6-48	10-87	7-80	
40,000			2-59	8-64	1-66	2-26	3-44	3-72	4-38	4-23	3-67	3-82	4-35	4-36	3-10	3-62	3-41	3-68	4-38	4-03	
50,000			9-71	9-59	3-19				2-43	2-84	3-50	2-97	2-85	3-35	3-07	3-48	3-98	2-45	3-69	2-84	
60,000			17-02	2-54	6-46				1-70	6-07	4-33	6-13	6-29	5-16	4-23	4-78	5-08	3-08	4-68	4-70	
80,000			22-02	2-74	6-02				2-46	1-94	2-56	4-51	3-46	3-16	3-68	3-62	3-22	2-02	3-71	3-22	
100,000			18-99	6-03	6-03				1-40	1-14	2-56	4-51	3-46	3-16	3-68	3-62	3-22	2-02	3-71	3-22	
150,000			-2-71	1-83	6-54				2-46	1-14	2-56	4-51	3-46	3-16	3-68	3-62	3-22	2-02	3-71	3-22	
200,000																					
250,000																					
300,000																					
400,000																					
500,000																					
600,000																					
800,000																					
1,000,000																					
Totals	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00	100-00

* See para. 3 on page 15.

TABLE 22.—GROSS AND NET CAPITAL IN RESPECT OF WHICH ANALYSIS, ACCORDING TO TITLE

		ENGLAND.			
		Personalty.	Realty.	Total.	
(1) Property of which the Deceased was absolute owner, and which passed under his Will or Intestacy	Situating in the United Kingdom ("Free Property").	Gross	£ 231,024,923	£ 57,551,850	£ 288,576,773
		Net	211,432,101	49,299,826	260,731,927
	Situating in British Dominions . .	Gross	2,897,525	—	2,897,525
		Net	2,835,255	—	2,835,255
	Situating in Foreign Countries . .	Gross	1,326,842	—	1,326,842
		Net	1,258,824	—	1,258,824
TOTAL		Gross	235,249,290	57,551,850	292,801,140
		Net	215,526,180	49,299,826	264,826,006
(2) Settled Property	Situating in British Dominions . .	Gross	101,458	—	101,458
		Net	101,458	—	101,458
	Situating in Foreign Countries . .	Gross	7,438	—	7,438
		Net	7,438	—	7,438
	Real Estate directed by settlement to be sold (sold).	Gross	232,837	—	232,837
		Net	232,837	—	232,837
	Real Estate directed by settlement to be sold (not sold).	Gross	1,649,551	—	1,649,551
		Net	1,642,772	—	1,642,772
	Leaseholds for Years in England and Ireland.	Gross	892,625	—	892,625
		Net	861,823	—	861,823
Other Settled Property	Gross	33,285,441	24,479,284	57,764,725	
	Net	32,897,181	22,416,419	55,313,600	
TOTAL		Gross	36,169,350	24,479,284	60,648,634
		Net	35,743,509	22,416,419	58,159,928
(3) Gifts, &c...	Donationes mortis causa	Gross	5,467	—	5,467
		Net	5,467	—	5,467
	Inter vivos gifts	Gross	2,293,991	14,217	2,308,208
		Net	2,286,394	14,217	2,300,611
	Policies effected by the Deceased on his life and kept up for the benefit of a donee.	Gross	155,304	—	155,304
		Net	155,304	—	155,304
	Capital value of Annuities and other interests purchased or provided by the Deceased, so that a benefit arose on his death.	Gross	253,709	—	253,709
		Net	253,709	—	253,709
TOTAL		Gross	2,708,471	14,217	2,722,688
		Net	2,700,874	14,217	2,715,091
(4) Joint Property	Property vested by the Deceased in himself and some other person jointly, so that the beneficial interest passed on his death to such other person.	Gross	902,835	10,657	913,492
		Net	896,563	9,672	906,235
(5) Property of which the Deceased was competent to dispose, but of which he did not dispose.		Gross	234,975	—	234,975
		Net	233,355	—	233,355
(6) Moneys which the Deceased had a general power to charge on Real Estate.		Gross	—	—	—
		Net	—	—	—
(7) Interests in Expectancy, the Duty on which has been commuted (Sec. 12, Finance Act, 1894).		Gross	108,775	132,46	241,244
		Net	108,775	132,469	241,244
(8) Property not distinguished under any of the foregoing heads . .		Gross	103,919	—	103,919
		Net	103,919	—	103,919
TOTAL CAPITAL		Gross	275,477,615	82,188,477	357,666,092
		Net	255,313,175	71,872,603	327,185,778

NOTE.—Leaseholds for Years in England and Ireland, Yearly Tenants' Interests or Rights (Ireland) and Real

TABLE 23.—CLASSIFICATION FOR THE UNITED KINGDOM, OF THE NUMBERS OF ESTATES, AS REPRESENTED BY THE NUMBER OF AFFIDAVITS FOR PROBATE OR ADMINISTRATION PRESENTED FOR THE PURPOSES OF THE ESTATE DUTY.

Capital Values of Estates.	1910 -11.	1911 -12.	1912 -13.	1913 -14.	1914 -15.	1915 -16.	1916 -17.	1917 -18.	1918 -19.	1919 -20*.	1920 -21.
ESTATES NOT LIABLE TO ESTATE DUTY.	NUMBERS OF ESTATES.										
Insolvent Estates ..	1,861	1,773	1,804	1,699	1,580						1,034
Estates not exceeding £100 net Capital Value.	16,025	16,199	16,041	17,038	16,348	Not available					14,345
Total Numbers of Estates not liable to Estate Duty..	17,886	17,972	17,845	18,737	17,928						15,379
ESTATES LIABLE TO ESTATE DUTY.											
Small Estates : Not exceeding £300 gross	19,588	20,483	20,565	21,818	21,858	23,944	24,521	24,446	27,236	29,923	26,468
Exceeding £300 but not exceeding £500 gross	9,612	10,123	10,324	10,806	11,007	11,836	12,491	12,386	14,345	15,792	14,653
Total Small Estates	29,199	30,606	30,889	32,624	32,865	35,780	37,012	36,832	41,581	45,715	41,121
Exceeding Not exceeding £ net. £ net.											
100 500	6,151	6,179	6,130	6,199	6,347	6,477	6,598	6,117	6,661	} 24,691	} 23,624
500 1,000	10,948	11,322	11,160	11,857	12,302	12,858	13,720	13,453	14,561		
1,000 5,000	14,499	14,855	15,188	16,004	16,354	17,736	18,552	18,293	19,633	23,369	22,496
5,000 10,000	3,115	3,174	3,419	3,537	3,471	3,957	4,271	4,071	4,163	5,152	4,747
Total exceeding £100 but not exceeding £10,000	34,713	35,536	35,697	37,697	38,474	41,828	43,141	41,834	45,618	53,212	50,969
Exceeding Not exceeding £10,000 £15,000	} 1,967	} 2,042	} 1,935	} 2,239	} 2,164	} 2,442	} 2,425	} 2,345	} 2,441	} 2,026	} 1,818
15,000 20,000												401	424	434	475	475	545	526	571	753	978
20,000 25,000	} 633	} 650	} 678	} 723	} 752	} 810	} 776	} 635	} 661	} 467	} 501
25,000 30,000												220	225	219	226	235	256	271	260	278	319
30,000 40,000	} 230	} 246	} 261	} 236	} 186	} 179	} 166	} 142	} 127	} 190	} 173
40,000 50,000											
50,000 60,000	} 43	} 31	} 45	} 49	} 38	} 34	} 54	} 45	} 50	} 267	} 236
60,000 70,000												126	153	137	155	117	118	121	107	103
70,000 75,000	} 113	} 136	} 118	} 155	} 118	} 144	} 147	} 135	} 144	} 146	} 142
75,000 80,000												61	69	69	55	117	118	121	107	103
80,000 100,000	} 22	} 38	} 30	} 22	} 34	} 29	} 45	} 38	} 39	} 31	} 35
100,000 150,000											
150,000 200,000	} 48	} 32	} 38	} 37	} 20	} 25	} 17	} 18	} 15	} 17	} 14
200,000 250,000											
250,000 300,000	} 11	} 6	} 14	} 17	} 17	} 9	} 15	} 12	} 14	} 21	} 11
300,000 350,000												1	11	4	10	10	9	5	8	6
350,000 400,000	} 6	} 11	} 4	} 5	} 6	} 12	} 7	} 6	} 7	} 11	} 8
400,000 500,000											
500,000 600,000	} 4	} 3	} 5	} 3	} 4	} 5	} 4	} 6	} 8	} 4	} 4
600,000 750,000											
750,000 800,000	} 1	} 2	} 2	} 2	} 2	} 2	} 1	} 1	} 1	} 3	} 3
800,000 1,000,000											
1,000,000 1,500,000	} 2	} 1	} 1	} 1	} 1	} 1	} 3	} 1	} 1	} 2	} 2
1,500,000 2,000,000											
2,000,000 2,500,000	} 1	} 1	} 1	} 1	} 1	} 1	} 1	} 1	} 1	} 1	} 1
2,500,000 3,000,000											
3,000,000	—	1	1	—	1	1	—	—	1	—	—
Total exceeding £10,000	3,962	4,066	4,062	4,421	4,400	4,868	4,845	4,604	4,960	5,914	5,699
Total liable to Duty	67,795	78,222	78,788	74,842	75,739	81,678	84,998	83,370	91,499	104,941	97,399
Total Numbers of Estates	85,681	88,194	88,633	93,379	93,677	Not available.					112,778

* The numbers of estates for the Nine Months to March, 1920, relevant to the capital values in the last column but one of the next Table, are shown in Table 13 of the 63rd Report.

STATISTICS RELATIVE TO PROBATE, FOR THE UNITED KINGDOM, OF THE ORIGINAL PROBATE DORIES, OR WITNESSES, OF ESTATES, DEALT WITH IN EACH YEAR.

CAPITAL VALUE OF ESTATES.		1910-11.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20 (9 months to March, 1920)	1920-21.
ESTATES NOT LIABLE TO ESTATE DUTY.		£ 2,632,039	£ 3,195,357	£ 2,721,346	£ 3,162,818	£ 2,825,763		Not available.			£ 1,169,999	£ 1,723,192
ESTATES NOT EXCEEDING £500 gross		£ 904,754	£ 917,459	£ 906,564	£ 984,901	£ 936,069					£ 701,230	£ 868,505
ESTATES LIABLE TO ESTATE DUTY. NET CAPITAL VALUES.												
Small Estates—												
Not exceeding £300 gross		£ 3,752,591	£ 3,997,023	£ 3,946,585	£ 4,180,099	£ 4,186,933					£ 3,964,697	£ 5,154,552
Exceeding £300 but not exceeding £500 gross		£ 3,600,679	£ 3,993,900	£ 4,082,246	£ 4,317,710	£ 4,379,698					£ 4,275,315	£ 5,732,417
Total Small Estates		£ 7,353,240	£ 7,990,923	£ 8,028,831	£ 8,497,809	£ 8,566,631					£ 8,240,012	£ 10,875,969
£ net.												
Exceeding		£ 1,000 but not exceeding £1,000	£ 12,160,271	£ 11,877,336	£ 12,648,185	£ 13,235,418					£ 12,319,010	£ 17,414,740
" "		£ 1,000	£ 39,314,149	£ 39,187,014	£ 42,783,103	£ 44,612,920					£ 41,248,719	£ 56,483,719
" "		£ 5,000	£ 25,347,065	£ 28,246,656	£ 28,038,393	£ 28,273,439					£ 29,834,421	£ 40,480,856
Total exceeding £1,000 but not exceeding £10,000		£ 75,865,706	£ 77,721,076	£ 78,102,743	£ 84,077,173	£ 87,121,777					£ 93,412,147	£ 114,329,114
£ net.												
Exceeding		£ 15,000 but not exceeding £15,000	£ 31,487,969	£ 31,065,564	£ 31,369,808	£ 35,146,236					£ 21,545,415	£ 29,163,450
" "		£ 20,000	£ 8,462,980	£ 10,839,980	£ 10,032,324	£ 11,356,006					£ 12,932,933	£ 17,903,737
" "		£ 25,000	£ 21,122,716	£ 22,410,541	£ 22,776,272	£ 23,955,972					£ 14,056,293	£ 16,297,723
" "		£ 30,000	£ 10,758,045	£ 10,788,970	£ 10,621,762	£ 10,547,725					£ 7,084,169	£ 11,957,659
" "		£ 40,000	£ 30,365,057	£ 30,373,913	£ 32,858,751	£ 33,410,019					£ 17,606,256	£ 19,065,107
" "		£ 50,000	£ 13,991,354	£ 16,372,389	£ 16,229,269	£ 16,613,719					£ 12,230,484	£ 16,973,908
" "		£ 60,000	£ 10,682,020	£ 12,409,993	£ 8,964,230	£ 10,005,180					£ 7,487,373	£ 10,474,006
" "		£ 80,000	£ 4,227,939	£ 8,941,585	£ 6,145,579	£ 5,066,856					£ 14,175,859	£ 18,342,770
" "		£ 100,000	£ 16,737,714	£ 11,186,295	£ 10,901,614	£ 13,760,690					£ 10,836,884	£ 12,860,642
" "		£ 150,000	£ 5,903,999	£ 2,219,491	£ 7,763,807	£ 7,115,432					£ 15,231,613	£ 25,822,904
" "		£ 200,000	£ 2,395,345	£ 4,785,718	£ 3,513,272	£ 3,396,022					£ 5,217,613	£ 8,371,969
" "		£ 250,000	£ 7,239,507	£ 10,813,579	£ 5,889,669	£ 5,381,521					£ 7,473,991	£ 8,399,084
" "		£ 300,000	£ 934,119	£ 4,778,364	£ 4,466,545	£ 5,275,300					£ 5,608,656	£ 4,392,645
" "		£ 400,000	£ 12,316,122	£ 11,034,472	£ 8,879,641	£ 7,640,839					£ 12,883,255	£ 12,234,408
" "		£ 500,000	£ 1,000,000	£ 1,000,000	£ 1,000,000	£ 1,000,000					£ 7,854,747	£ 5,397,445
" "		£ 600,000	£ 2,299,507	£ 10,813,579	£ 3,589,869	£ 3,251,170					£ 3,241,693	£ 4,070,368
" "		£ 800,000	£ 934,119	£ 4,778,364	£ 4,466,545	£ 5,275,300					£ 7,145,216	£ 3,370,368
" "		£ 1,000,000	£ 12,316,122	£ 11,034,472	£ 8,879,641	£ 7,640,839					£ 2,918,030	£ 4,244,441
" "		£ 1,500,000	£ 1,000,000	£ 1,000,000	£ 1,000,000	£ 1,000,000					£ 9,566,776	£ 15,414,120
" "		£ 2,000,000	£ 1,000,000	£ 1,000,000	£ 1,000,000	£ 1,000,000					£ 5,203,761	£ 5,180,123
" "		£ 3,000,000	£ 6,349,743	£ 1,590,126	£ 7,448,428	£ 6,870,986					£ 662,970	£ 8,650,627
" "		£ 4,776,768	£ 9,613,963	£ 5,061,527	£ 7,033,570	£ 12,998,268					£ 1,296,690	£ 2,683,511
Total exceeding £10,000		£ 189,305,781	£ 192,757,389	£ 192,121,358	£ 203,857,173	£ 211,593,961					£ 205,651,425	£ 266,140,742
TOTAL NET CAPITAL LIABLE TO ESTATE DUTY..		£ 271,794,727	£ 276,369,569	£ 276,562,932	£ 294,432,153	£ 307,264,039					£ 307,563,664	£ 391,345,825

* For the years 1910-11 to 1914-15 these figures represent the Capital Values of which the Department had notice; for the 9 months of 1919-20 and for the year 1920-21 they represent values on which Estate Duty was actually paid.
† Capital transferred in the year to other classes exceeded that brought into this class.

TABLE 25.—NUMBERS AND CAPITAL VALUES OF ESTATES NOT LIABLE TO ESTATE DUTY AS OBTAINED FROM AFFIDAVITS PRESENTED IN THE YEAR ENDED 31ST MARCH, 1921.

(It should be borne in mind that in the great majority of exempt cases no probate is applied for, and hence no documents are presented to the Department. It follows that information as to the capital in such estates is not obtainable.)

A. INSOLVENT ESTATES.

B. ESTATES NOT EXCEEDING £100 NET VALUE.

	Number of Estates as represented by the Number of Affidavits for Probate or Administration.		Gross Capital.	Debts.	Net Deficiency.
A.—INSOLVENT ESTATES:—					
ENGLAND	848	Personalty ..	£ 1,026,655	£ 1,597,510	£ 570,855
		Realty ..	452,387	533,693	81,306
		Total £	1,479,042	2,131,203	652,161
SCOTLAND	51	Personalty ..	35,100	69,316	34,216
		Realty ..	54,652	64,342	9,690
		Total £	89,752	133,658	43,906
IRELAND	135	Personalty ..	123,350	186,321	62,971
		Realty ..	31,048	27,585	-3,463
		Total £	154,398	213,906	59,508
UNITED KINGDOM	1,034	Personalty ..	1,185,105	1,853,147	668,042
		Realty ..	538,087	625,620	87,533
		Total £	1,723,192	2,478,767	755,575
B.—ESTATES NOT EXCEEDING £100 NET VALUE:—					
ENGLAND	10,188	Personalty ..	£ 928,256	£ 342,455	£ 585,801
		Realty ..	218,667	169,979	48,688
		Total £	1,146,923	512,434	634,489
SCOTLAND	1,112	Personalty ..	84,653	17,128	67,525
		Realty ..	12,137	10,316	1,821
		Total £	96,790	27,444	69,346
IRELAND	3,045	Personalty ..	171,716	37,189	134,527
		Realty ..	72,965	42,722	30,143
		Total £	244,681	79,911	164,770
UNITED KINGDOM	14,345	Personalty ..	1,184,625	396,772	787,853
		Realty ..	303,669	223,017	80,652
		Total £	1,488,294	619,789	868,506

NOTE.—Leasehold Property in England and Ireland, Yearly Tenants' Interests or Rights (Ireland), and Real Estate directed by Settlement to be sold, but not sold, are here classed as Personalty. In the years up to 1914-15, however, such property was classed as Realty, and this should be borne in mind when comparing the figures in the above table with those in the corresponding tables in the 58th and earlier Reports.

PROBATE (AND INVENTORY) DUTY AND ACCOUNT DUTY.

RATES OF DUTY.

On *Affidavit* of value for Probate or Letters of Administration in England or Ireland, or *Inventory* in Scotland; and on *Accounts* delivered of personal and movable property as described in Sect. 38 of the Act 44 & 45 Vict. c. 12:—

Where the estate and effects—

Exceed the value of £100, but do not exceed £500	£1 for each £50 and fraction of £50.
Exceed the value of £500, but do not exceed £1,000	£1 5s. for each £50 and fraction of £50.
Exceed the value of £1,000	£3 for each £100 and fraction of £100.

The Legacy and Succession Duties at 1 per cent. are not payable on assets covered by the stamp duties paid at the foregoing rates.

Where the *Gross Value* of an estate does not exceed £300, a fixed stamp duty of 30s. is payable on the *Affidavit* or *Inventory*, which also satisfies any claim to Legacy or Succession Duty in respect of the estate or effects to which such *Affidavit* or *Inventory* relates.

It should be noted that these duties are applicable only to property passing by deaths occurring prior to 2nd August, 1894, the Estate Duty imposed by the Act 57 & 58 Vict. c. 30, and amending Acts, being payable in respect of property passing by deaths occurring on or after that date.

TABLE 26.—NET RECEIPT OF PROBATE (AND INVENTORY) DUTY AND ACCOUNT DUTY.

Years ended 31st March.	Probate (and Inventory) Duty.	Account Duty.	Total.
1.	2.	3.	4.
ENGLAND.			
	£	£	£
1910-11	26,457	1,191	27,648
1911-12	28,853	1,964	30,817
1912-13	24,034	2,373	26,407
1913-14	25,242	2,835	28,077
1914-15	20,476	1,107	21,583
1915-16	19,342	800	20,142
1916-17	14,904	1,806	16,510
1917-18	18,953	2,707	21,660
1918-19	14,806	699	15,505
1919-20	10,436	418	10,854
1920-21	11,321	1,339	12,660
SCOTLAND.			
1910-11	2,818	89	2,907
1911-12	3,706	1,060	4,766
1912-13	3,074	10	3,084
1913-14	6,506	237	6,743
1914-15	2,085	150	2,235
1915-16	948	—	948
1916-17	1,244	—	1,244
1917-18	1,581	155	1,736
1918-19	2,183	49	2,232
1919-20	737	—	737
1920-21	1,497	—	1,497

PROBATE (AND INVENTORY) DUTY AND ACCOUNT
DUTY—*continued.*

TABLE 26.—NET RECEIPT OF PROBATE (AND INVENTORY) DUTY
AND ACCOUNT DUTY—*continued.*

Years ended 31st March.					Probate (and Inventory) Duty.	Account Duty.	Total.
1.					2.	3.	4.
IRELAND.					£	£	£
1910-11	..	..	..	..	2,578	1,388	3,966
1911-12	..	..	..	..	1,675	540	2,215
1912-13	..	..	..	..	1,996	504	2,500
1913-14	..	..	..	..	2,571	101	2,672
1914-15	..	..	..	..	2,067	117	2,184
1915-16	..	..	..	..	745	111	856
1916-17	..	..	..	..	1,047	143	1,190
1917-18	..	..	..	..	945	47	992
1918-19	..	..	..	..	938	104	1,042
1919-20	..	..	..	..	1,421	198	1,619
1920-21	..	..	..	..	1,186	44	1,230
UNITED KINGDOM.							
1910-11	..	..	..	..	31,853	2,668	34,521
1911-12	..	..	..	..	34,234	3,564	37,798
1912-13	..	..	..	..	29,104	2,887	31,991
1913-14	..	..	..	..	34,319	3,173	37,492
1914-15	..	..	..	..	24,628	1,374	26,002
1915-16	..	..	..	..	21,035	911	21,946
1916-17	..	..	..	..	17,195	1,749	18,944
1917-18	..	..	..	..	21,479	2,909	24,388
1918-19	..	..	..	..	17,927	852	18,779
1919-20	..	..	..	..	12,594	616	13,210
1920-21	..	..	..	..	14,004	1,383	15,387

TEMPORARY ESTATE DUTY.

ACT 52 & 53 VICT. c. 7.

(IN ADDITION TO PROBATE AND LEGACY OR SUCCESSION DUTIES.)

RATE OF DUTY.

On *personal property*, exceeding the value of £10,000,
 passing by will or intestacy, or included in an
 "account" } £1 for every £100 or
 fraction thereof.
 On *successions* exceeding the value of £10,000 . . . }

This duty is applicable only to property passing by deaths occurring prior to 2nd August, 1894.

TABLE 27.—NET RECEIPT OF DUTY.

YEAR.	ENG- LAND.	SCOT- LAND.	IRE- LAND.	UNITED KING- DOM.	
	£	£	£	£	
1910-11	On Personalty	1,429	506	251	2,186
	On Realty	1,759	228	—129*	1,858
	TOTAL	3,188	734	122	4,044
1911-12	On Personalty	2,269	435	—	2,704
	On Realty	2,781	220	224	3,225
	TOTAL	5,050	655	224	5,929
1912-13	On Personalty	2,119	277	7	2,403
	On Realty	81	221	1,923	2,225
	TOTAL	2,200	498	1,930	4,628
1913-14	On Personalty	2,956	138	120	3,214
	On Realty	25,948	283	109	26,340
	TOTAL	28,904	421	229	29,554
1914-15	On Personalty	757	44	31	832
	On Realty	837	288	36	1,161
	TOTAL	1,594	332	67	1,993
1915-16	On Personalty	1,073	—	22	1,095
	On Realty	841	67	38	946
	TOTAL	1,914	67	60	2,041
1916-17	On Personalty	884	111	7	1,002
	On Realty	261	143	19	423
	TOTAL	1,145	254	26	1,425
1917-18	On Personalty	1,598	—	7	1,605
	On Realty	229	52	11	292
	TOTAL	1,827	52	18	1,897

* Repayments of Duty exceeded the payments.

TEMPORARY ESTATE DUTY—*continued.*TABLE 27.—NET RECEIPT OF DUTY—*continued.*

Year.		ENG- LAND.	SCOT- LAND.	IRE- LAND.	UNITED KING- DOM.
		£	£	£	£
1918-19	On Personalty	662	200	7	869
	On Realty	386	186	94	666
	TOTAL	1,048	386	101	1,535
1919-20	On Personalty	421	7	—	428
	On Realty	312	282	19	613
	TOTAL	733	289	19	1,041
1920-21	On Personalty	1,772	66	—	1,838
	On Realty	1,862	493	11	2,366
	TOTAL	3,634	559	11	4,204

LEGACY DUTY.

ACTS 55 GEO. III, c. 184, 5 & 6 VICT. c. 82, and 10 EDW. VII, c. 8.

TABLE 28.—RATES OF DUTY.

LEGACY of any Value, and any Share of Residue of Personal Estate arising under Will or Intestacy of Persons dying after 5th April, 1805, which shall be paid, delivered, retained, satisfied, or discharged after 31st August, 1815, in Great Britain, or after 9th October, 1842, in Ireland :—

	Rate of duty per cent. where the Testator by whose Will the Legacy is given, or the Intestate on whose death the Residue is taken, died :—	
	Before 30th April, 1909*	After 29th April, 1909*
	£	£
To the husband or wife of the deceased	—	1‡
.. a child, or a descendant of a child, of the deceased, or father or mother, or any lineal ancestor of the deceased	1†	1‡
.. a brother or sister of the deceased, or any descendant of a brother or sister	3	5
.. an uncle or aunt of the deceased, or any descendant of an uncle or aunt	5	10
.. a great uncle or aunt of the deceased, or any descendant of a great uncle or aunt	6	10
.. any other person	10	10

* Where the net value of the property, real and personal, in respect of which Estate Duty is payable on the death of the deceased, exclusive of property settled otherwise than by the Will of the deceased, does not exceed one thousand pounds, such property, for the purpose of Estate Duty, shall not be aggregated with any other property, but shall form an estate by itself; and where the fixed duty (30s. or 50s., see page 12) or Estate Duty has been paid upon the principal value of that estate, the Settlement Estate Duty and the Legacy and Succession Duties shall not be payable under the Will or Intestacy of the deceased in respect of that Estate. [Finance Act, 1894, Section 16 (1) and (3).]

† Not payable in cases where Probate or Letters of Administration were obtained, or Account Duty was paid, on or after 1st June, 1881, in conformity with the provisions of the Act 44 & 45 Vict. c. 12, nor in cases where Estate Duty has been paid under the Act 57 & 58 Vict. c. 30.

‡ Provided that the duty shall not be levied :—

- (a) Where the principal value of the property passing on the death of the deceased in respect of which Estate Duty is payable (other than property in which the deceased never had an interest, and property of which the deceased never was competent to dispose, and which on his death passes to persons other than the husband or wife or a lineal ancestor or descendant of the deceased) does not exceed fifteen thousand pounds, whatever may be the value of the legacy or succession; or
- (b) Where the amount or value of the legacy or succession together with any other legacies or successions derived by the same person from the testator, intestate, or predecessor does not exceed one thousand pounds, whatever may be the principal value of such property; or
- (c) Where the person taking the legacy or succession is the widow or a child under the age of twenty-one years of the testator, intestate, or predecessor, and the amount or value of the legacy or succession together with any other legacies or successions derived by the same person from the testator, intestate, or predecessor, does not exceed two thousand pounds, whatever may be the principal value of such property.

LEGACY DUTY—*continued.*TABLE 28.—RATES OF DUTY—*continued.*

In this connection, the expression "deceased" means, in the case of a legacy, the testator (including a person making a donation *mortis causa*) or intestate, and, in the case of a succession arising through devolution by law, the person on whose death the succession arises, and, in the case of a succession arising under a disposition, the person on whose death the first succession thereunder arises; and the expression "legacy" includes residue and share of residue. [Finance (1909-10) Act, 1910, Section 58, Subsections 2 and 3.]

TABLE 29.—NET RECEIPT OF DUTY.

Year ended 31st March.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	£	£	£	£
1910-11	3,681,222	380,930	141,506	4,203,658
1911-12	3,713,204	541,337	198,089	4,452,630
1912-13	3,831,677	507,551	167,695	4,506,923
1913-14	3,794,212	500,570	186,316	4,481,098
1914-15	4,188,840	662,396	167,373	5,018,609
1915-16	4,480,520	720,426	214,193	5,415,139
1916-17	4,267,299	656,515	155,372	5,079,186
1917-18	4,060,936	672,609	197,861	4,931,406
1918-19	3,764,306	651,268	169,688	4,585,262
1919-20	4,190,147	666,219	228,216	5,084,582
1920-21	4,427,475	647,091	218,171	5,292,737

LEGACY DUTY.

TABLE 30.—APPROXIMATE DISTRIBUTION OF THE NET RECEIPT OF LEGACY DUTY (AND CORRESPONDING CAPITAL) IN THE YEAR ENDED 31ST MARCH, 1921, ACCORDING TO THE SEVERAL RATES AT WHICH DUTY WAS CHARGED.

In respect of a Legacy to	Rates of Duty.*	ENGLAND.		SCOTLAND.		IRELAND.		UNITED KINGDOM.	
		Capital.	Duty.	Capital.	Duty.	Capital.	Duty.	Capital.	Duty.
	1	£ 17,637,840	£ 177,847	£ 3,429,620	£ 34,690	£ 669,240	£ 6,883	£ 21,736,700	£ 219,420
	1	744,690	8,047	123,540	1,923	130,475	1,326	998,705	10,698
	1½	49,565,960	505,900	5,741,550	58,115	1,912,220	19,404	57,219,730	583,419
	3	2,929,800	91,508	303,700	9,423	41,430	1,597	3,274,930	102,528
	5	34,549,570	1,747,385	6,272,720	315,830	2,250,000	113,115	43,072,290	2,176,330
	5	171,920	8,839	57,060	2,991	44,200	2,199	273,180	14,029
	10	2,558,440	258,392	348,670	35,095	268,770	27,125	3,175,890	320,522
	6	30,940	1,897	520	31	375	22	31,835	1,950
	10	412,340	41,617	21,440	2,144	21,670	2,173	455,450	45,934
	10	15,705,000	1,586,043	1,864,580	187,539	437,060	44,327	18,006,640	1,817,909
TOTAL	..	154,306,500	4,427,475	19,163,400	647,091	6,775,440	218,171	148,248,340	5,292,737

* See page 37.

† Where the Testator or Intestate died after 29th April, 1909.

LEGACY DUTY.

TABLE 31.—CAPITAL ON WHICH LEGACY DUTY WAS PAID.
UNITED KINGDOM.

YEAR.	Capital on which duty was paid as passing to legatees bearing the undermentioned relationship to the deceased.						TOTAL CAPITAL ON WHICH DUTY WAS PAID.
	Husband or wife.	Child or descendant of a child; or father or mother or any lineal ancestor.	Brother or sister or descendant of a brother or sister.	Uncle or aunt or descendant of an uncle or aunt.	Great uncle or great aunt or descendant of a great uncle or great aunt.	Other relation or stranger.	
	£	£	£	£	£	£	£
1910-11 ..	7,045,000	30,150,800	42,386,500	4,965,780	395,110	14,954,680	99,887,880
1911-12 ..	10,377,400	50,294,400	41,539,100	6,451,180	837,880	13,048,840	122,548,810
1912-13 ..	12,280,600	53,537,800	42,114,240	3,915,060	415,300	14,655,140	126,918,160
1913-14 ..	14,500,300	44,610,400	41,253,760	3,220,760	607,710	15,544,170	119,737,100
1914-15 ..	17,904,600	58,240,300	41,433,190	4,742,780	325,650	17,367,710	140,014,230
1915-16 ..				Not available.			
1916-17 ..				Do.			
1917-18 ..				Do.			
1918-19 ..				Do.			
1919-20 (9 months to March)	15,582,000	44,759,380	32,622,820	2,889,800	169,100	14,547,900	110,571,000
1920-21 ..	21,736,700	58,218,435	46,347,220	3,449,060	487,285	18,006,640	148,245,340

NOTE.—This Table should be read with Table 28, showing the rates of duty charged, &c.

SUCCESSION DUTY.

ACTS 16 & 17 VICT. c. 51, 51 & 52 VICT. c. 8 and 10 EDW. 7, c. 8.

TABLE 32.—RATES OF DUTY.

On a Succession where the whole Succession or Successions derived from the same Predecessor amount to £100 or upwards :—

	A.—Rates of Duty per cent.* in cases other than those referred to at B.		B.—Rates of Duty per cent.* in the case of a succession arising after 29th April, 1909, through devolution by law, or in the case of a succession arising under a disposition where the first succession under the disposition arises after the 29th April, 1909.		
	Imposed by 16 & 17 Vict. c. 51.	Additional Duties imposed by 51 & 52 Vict. c. 8.†	Imposed by 16 & 17 Vict. c. 51.	Imposed by 10 Edw. 7, c. 8.	Additional Duties imposed by 51 & 52 Vict. c. 8.†
	£	£ s.	£	£	£ s.
By the husband or wife of the predecessor	—	—	—	1‡	—
„ a child, or a descendant of a child, of the predecessor, or father or mother, or any lineal ancestor of the predecessor	1§	0 10	—	1‡	0 10
„ a brother or sister of the predecessor, or any descendant of a brother or sister	3	1 10	—	5	1 10
„ an uncle or aunt of the predecessor, or any descendant of an uncle or aunt	5	1 10	—	10	1 10
„ a great uncle or aunt of the predecessor, or any descendant of a great uncle or aunt	6	1 10	—	10	1 10
„ any other person	10	1 10	10	—	1 10

* Where the net value of the property, real and personal, in respect of which Estate Duty is payable on the death of the deceased, exclusive of property settled otherwise than by the Will of the deceased, does not exceed £1,000, such property, for the purpose of Estate Duty, shall not be aggregated with any other property, but shall form an estate by itself; and where the fixed duty (30s. or 50s., see page 12) or Estate Duty has been paid upon the principal value of that estate, the Settlement Estate Duty and the Legacy and Succession Duties shall not be payable under the Will or Intestacy of the deceased in respect of that Estate. [Finance Act, 1894, Section 16 (1) and (3).]

† Not payable when the property is chargeable with Estate Duty under 57 & 58 Vict. c. 30.

SUCCESSION DUTY.

TABLE 32.—RATES OF DUTY—*continued.*

‡ Provided that the duty shall not be levied—

- (a) Where the principal value of the property passing on the death of the deceased in respect of which Estate Duty is payable (other than property in which the deceased never had an interest, and property of which the deceased never was competent to dispose, and which on his death passes to persons other than the husband or wife or a lineal ancestor or descendant of the deceased) does not exceed £15,000, whatever may be the value of the legacy or succession; or
- (b) Where the amount or value of the legacy or succession together with any other legacies or successions derived by the same person from the testator, intestate, or predecessor does not exceed £1,000, whatever may be the principal value of such property; or
- (c) Where the person taking the legacy or succession is the widow or a child under the age of twenty-one years of the testator, intestate, or predecessor, and the amount or value of the legacy or succession together with any other legacies or successions derived by the same person from the testator, intestate, or predecessor, does not exceed £2,000, whatever may be the principal value of such property.

In this connection the expression "deceased" means, in the case of a legacy, the testator (including a person making a donation *mortis causa*) or intestate, and, in the case of a succession arising through devolution by law, the person on whose death the succession arises, and, in the case of a succession arising under a disposition, the person on whose death the first succession thereunder arises; and the expression "legacy" includes residue and share of residue. [Finance (1909-10) Act, 1910, Section 58, Subsections 2 and 3.]

§ Not payable in cases where Probate or Letters of Administration were obtained, or Account Duty was paid, on or after 1st June, 1881, in conformity with the provisions of the Act 44 & 45 Vict. c. 12, or in cases in which Estate Duty has been paid under the Act 57 & 58 Vict. c. 30, where the succession is taken under the same disposition as that under which the property is deemed to pass.

TABLE 33.—NET RECEIPT OF DUTY.

Year ended 31st March.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
1910-11	£ 577,834	£ 65,667	£ 71,041	£ 714,542
1911-12	598,889	107,452	70,824	777,165
1912-13	610,627	84,991	71,421	767,039
1913-14	731,454	104,794	73,041	909,289
1914-15	910,886	96,466	67,792	1,075,144
1915-16	867,732	115,392	90,301	1,073,425
1916-17	785,455	98,194	69,928	953,577
1917-18	776,518	112,342	84,594	973,454
1918-19	793,321	119,279	89,809	1,002,409
1919-20	759,034	123,071	91,014	973,119
1920-21	1,017,404	118,076	81,478	1,216,958

SUCCESSION DUTY.

TABLE 34.—APPROXIMATE DISTRIBUTION OF THE NET RECEIPT OF SUCCESSION DUTY (AND CORRESPONDING CAPITAL) IN THE YEAR ENDED 31ST MARCH, 1921, ACCORDING TO THE SEVERAL RATES AT WHICH DUTY WAS CHARGED.

In respect of a Succession.	Rates of Duty per Cent.*			ENGLAND.		SCOTLAND.		IRELAND.		UNITED KINGDOM.		
	Im-posed by 16 & 17 Vict. c. 51.	Im-posed by 10 Edw. 7 c. 8.	(Addi-tional) Im-posed by 51 & 52 Vict. c. 8.	Total.	Capital.		Duty.		Capital.		Duty.	
					£	s.	£	s.	£	s.	£	s.
By the husband or wife of the predecessor ..	1	1	—	2	908,430	29,751	6,841	206,325	2,164	3,771,355	38,758	
" a child, or a descendant of a child, of the predecessor, or father or mother, or any lineal ancestor of the predecessor ..	—	—	0 10	1 10	41,840	661	2,460	2,800	49	47,100	747	
" a brother or sister of the predecessor or any descendant of a brother or sister ..	—	—	—	1 0	989,300	10,995	11,000	28,580	350	1,028,880	11,537	
" an uncle or aunt of the predecessor, or any descendant of an uncle or aunt ..	—	—	—	1 0	976,300	15,392	20,000	37,720	396	1,034,020	16,380	
" a great uncle or aunt of the predecessor, or any descendant of a great uncle or aunt ..	—	—	—	1 0	9,243,770	98,413	2,577,320	764,680	8,329	12,585,750	132,639	
" any other person ..	—	—	0 10	1 10	820,000	12,852	30,960	62,480	984	913,440	14,296	
TOTAL ..	—	—	—	—	27,820,000	1,017,404	4,595,300	118,078	2,546,300	81,478	1,218,958	

* See Table 32.

NOTE.—Where an instalment of duty is received, only the capital corresponding to that instalment is entered.

SUCCESSION DUTY.

TABLE 35.—CAPITAL ON WHICH SUCCESSION DUTY WAS PAID.—
UNITED KINGDOM.

YEAR.	Capital on which duty was paid as passing to successors bearing the unmentioned relationship to the predecessor.						TOTAL CAPITAL ON WHICH DUTY WAS PAID.
	Husband or wife.	Child or descendant of a child; or father or mother or any lineal ancestor.	Brother or sister or descendant of a brother or sister.	Uncle or aunt or descendant of an uncle or aunt.	Great uncle or great aunt or descendant of a great uncle or great aunt.	Other relation or stranger.	
1910-11 ..	£ 1,443,800	£ 8,421,810	£ 8,077,860	£ 1,153,930	£ 238,020	£ 1,927,340	£ 21,262,760
1911-12 ..	2,555,230	11,279,400	7,735,580	768,660	155,780	2,331,410	24,826,060
1912-13 ..	2,468,700	10,728,130	7,644,280	988,740	150,060	2,081,930	24,061,840
1913-14 ..	3,489,200	13,389,660	8,426,230	726,930	208,690	2,709,180	28,949,690
1914-15 ..	3,510,570	14,813,000	11,612,610	912,610	280,900	2,623,180	33,732,870
1915-16 ..			Not available.				
1916-17 ..				Do.			
1917-18 ..				Do.			
1918-19 ..				Do.			
1919-20 (9 months to March.)	3,275,860	11,167,030	7,650,920	764,614	199,036	1,520,540	24,581,000
1920-21 ..	3,818,455	15,562,090	10,020,520	922,730	275,240	4,162,565	34,761,600

NOTE.—This table should be read with Table 32 showing the rates of duty charged, &c.

CORPORATION DUTY.

ACT 48 & 49 VICT. c. 51.

RATE OF DUTY.

Corporate and Unincorporate Bodies.—On Net Annual Value, Income, or Profits accrued in respect of all Real or Personal Property liable to Duty } 5l. per cent.

TABLE 36.—NET RECEIPT OF DUTY.

Year ended 31st March.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
1910-11	£ 50,081	£ 1,296	£ 328	£ 51,705
1911-12	47,108	1,700	198	49,006
1912-13	48,213	1,039	189	49,441
1913-14	57,421	1,315	359	59,095
1914-15	50,989	1,570	393	52,952
1915-16	60,264	1,443	346	62,053
1916-17	39,822	1,330	232	41,384
1917-18	60,081	1,402	316	61,799
1918-19	46,713	1,459	298	48,470
1919-20	48,880	1,213	224	50,317
1920-21	36,641	1,221	306	38,168

ESTATE, ETC., DUTIES.**JUDICIAL DECISIONS DURING 1920-21**

Name of Case.	Precis of Decision.	Date of Judgment.	Court.	Where Reported.
Lord Advocate v. Jaffrey.	The domicile of a married woman not judicially separated or divorced is that of her husband.	16th July, 1920.	House of Lords.	Law Reports (1921) 1 A.C. 146.
Attorney-General v. The Public Trustee.	The predecessor for Succession duty purposes of policy moneys where all the premiums are paid by a third party is the third party.	27th July, 1920.	High Court.	Law Reports (1920) 3 K.B. 675.
Attorney-General v. Anderton.	A succession arises within the meaning of Sec. 18 of the Finance Act, 1904, when it becomes a beneficial interest in possession.	28th July, 1920.	Do.	Law Reports (1921) 1 K.B. 159.
Attorney-General v. Chambres.	Where Succession Duty is payable upon moneys which pass through the hands of trustees, the trustees are liable therefor and an Order of Court does not protect them from liability.	28th July, 1920.	Do.	Law Reports (1921) 1 K.B. 173.
Lord Advocate v. Lord Lyell.	The account to be delivered for Estate Duty purposes on the cesser of an annuity charged upon heritage must be of the heritage upon which the annuity is charged.	30th June, 1920.	Court of Session (Outer House).	Not reported.

STAMP DUTIES.

1. The Finance Act, 1920, made numerous changes in the rates of stamp duties previously in force. The following brief particulars indicate the duties affected and the extent of the alterations in the rates, viz. :—

(a) *Duty on Share Capital of Companies.*

The duty was raised from the previous rate of 5s. per 100*l.* to 1*l.* per 100*l.*

(b) *Transfers.*

The duty on transfers of stocks and marketable securities whether by gift or sale was doubled, and is now charged at the following rates :—

Where the amount or value of the consideration for the sale does not exceed	£	£ s. d.
Exceeds £ 5 and does not exceed	5	0 1 0
.. 10	10	0 2 0
.. 15	15	0 3 0
.. 20	20	0 4 0
.. 25	25	0 5 0
.. 50	50	0 10 0
.. 75	75	0 15 0
.. 100	100	1 0 0
.. 125	125	1 5 0
.. 150	150	1 10 0
.. 175	175	1 15 0
.. 200	200	2 0 0
.. 225	225	2 5 0
.. 250	250	2 10 0
.. 275	275	2 15 0
.. 300, for every 50 <i>l.</i> and also for every fractional part of 50 <i>l.</i> of such amount or value	300	3 0 0
		0 10 0

The special rates for Bank of England and Colonial Stocks are 15s. 6*d.* fixed and 5s. per 100*l.* respectively.

As a consequence the rates of composition for the Stamp Duty on transfers of stock were also doubled.

By Section 42 of the Act, special provision was made for the case of transfers of stock or marketable securities to a dealer on a Stock Exchange, as therein defined, or his nominee, when the transaction to which the transfer relates has been carried out by the dealer in the ordinary course of his business. Such transfers are sufficiently stamped with 10s. if in addition to that duty they bear the special supplementary stamp under the terms of the Section.

(c) *Marketable Securities to Bearer.*

The duty on Marketable Securities to bearer was doubled, and the following rates are now in force :—

Colonial Government.	—	Colonial Municipality.	Bearer Securities other than Colonial Government or Municipality.
Where the money thereby secured does not exceed 10 <i>l.</i>	s. d.	6	For every 10 <i>l.</i> , and also for any fractional part of 10 <i>l.</i> of the money thereby secured, 2s.
Exceeds 10 but does not exceed 25	£	1 4	For every 10 <i>l.</i> , and also for any fractional part of 10 <i>l.</i> of the money thereby secured, 4s.
.. 25	£	2 6	
.. 50	£	5 0	
.. 100	£	7 6	
.. 150	£	10 0	
.. 200	£	12 6	
.. 250	£	15 0	
.. 300, for every 100 <i>l.</i> , and also for any fractional part of 100 <i>l.</i>	£	5 0	

The reduced duties applicable to substituted bearer securities and to securities to bearer issued for short terms (Section 13, Finance Act, 1911) were also doubled.

(d) *Share Warrants and Stock Certificates to Bearer.*

The duty on these instruments was doubled and is now as follows:—

Colonial Government.	Foreign.	British.
For every 100 <i>l.</i> and fraction of 100 <i>l.</i> of the nominal value of stock, 5 <i>s.</i>	For every 10 <i>l.</i> and also for any fractional part of 10 <i>l.</i> of the nominal value of the share or stock, 4 <i>s.</i>	Three times the transfer duty, see paragraph (b) above.

(e) *Policies of Sea Insurance.*

The *ad valorem* duties were revised as follows:—

Previous scale.		Scale now in force.	
Where the premium or consideration exceeds the rate of 2 <i>s.</i> 6 <i>d.</i> per cent. of the sum insured:—	<i>d.</i>	Where the premium or consideration exceeds the rate of 2 <i>s.</i> 6 <i>d.</i> per cent. of the sum insured:—	<i>s.</i> <i>d.</i>
(a) For or upon any voyage in respect of every 100 <i>l.</i> and any fractional part of 100 <i>l.</i> insured ..	1	(a) For or upon any voyage Where the sum insured does not exceed 250 <i>l.</i>	3
		Where the sum exceeds 250 <i>l.</i> but does not exceed 500 <i>l.</i> ..	6
		Where the sum exceeds 500 <i>l.</i> but does not exceed 750 <i>l.</i> ..	9
		Where the sum exceeds 750 <i>l.</i> but does not exceed 1,000 <i>l.</i> ..	1 0
		Where the sum exceeds 1,000 <i>l.</i> for every 500 <i>l.</i> , also any fractional part of 500 <i>l.</i> ..	6
(b) For time		(b) For time	
In respect of every 100 <i>l.</i> and any fractional part of 100 <i>l.</i> insured where the insurance is for any time not exceeding six months ..	3	Where the insurance is made for any time not exceeding six months a duty equivalent to three times the above amounts.	
Where the insurance is for any time exceeding six months and not exceeding twelve months ..	6	Where the insurance is made for any time exceeding six months but not exceeding twelve months a duty equivalent to six times the above amounts.	

(f) *Accident, Sickness, Indemnity, Fire Insurance, &c., Policies.*

The duty was raised from 1*d.* to 6*d.*

(g) *Receipts and Scrip Certificates.*

The duty was doubled and is now 2*d.*

2. The new rates came into force on 1st September, 1920, with the exception of the duty on Share Capital of Companies, which operated from 20th April, 1920, inclusive—the day following that on which the Budget resolution authorising the increase in the rate of duty was passed by the House of Commons.

3. The increased duties, which were in force during part of the year only, were estimated to produce additional revenue amounting to £5,200,000, in the financial year 1920-21, and actually yielded £5,800,000. The addition in a full year was estimated at £6,300,000.

	£	s.	d.
AGREEMENT or MEMORANDUM OF AGREEMENT under hand only, or without clause of registration and not otherwise specifically charged	0	0	6
APPOINTMENT of a new trustee, and APPOINTMENT in execution of a special power of any property, etc., by any instrument not being a will	0	10	0
APPRAISEMENT or VALUATION.			
Where the amount of the appraisement does not exceed £5 ..	0	0	3
Exceeds £5 and does not exceed £10	0	0	6
" £10 " " £20	0	1	0
" £20 " " £30	0	1	6
" £30 " " £40	0	2	0
" £40 " " £50	0	2	6
" £50 " " £100	0	5	0
" £100 " " £200	0	10	0
" £200 " " £500	0	15	0
" £500	1	0	0
APPRENTICESHIP, instrument of	0	2	6
ARTICLES OF ASSOCIATION of a Company under The Companies (Consolidation) Act, 1908 (8 Edw. 7, c. 69) Sec. 12, to be stamped as a deed	0	10	0
ARTICLES OF CLERKSHIP whereby any person becomes bound to serve as a clerk in order to his admission :—			
As a Solicitor of the Supreme Court in England or of the Court of Judicature in Ireland	80	0	0
As a law agent to practise before the Court of Session or as a Writer to the Signet in Scotland	60	0	0
As a law agent to practise before a Sheriff Court in Scotland ..	0	2	6
Whereby any person having been before bound by duly stamped articles and not having completed his service, becomes bound afresh for the same purpose :			
Where the duty upon the previous articles was 2s. 6d. ..	0	2	6
In any other case	0	10	0
ATTORNEY, Letter or Power of. See Letter of Attorney. Warrant of. See Warrant of Attorney.			
AWARD in England or Ireland and AWARD or DECREET ARBITRAL in Scotland	0	10	0
BANK NOTE.			
For money not exceeding £1	0	0	5
Exceeding £1 and not exceeding £2	0	0	10
" £2 " " £5	0	1	3
" £5 " " £10	0	1	9
" £10 " " £20	0	2	0
" £20 " " £30	0	3	0
" £30 " " £50	0	5	0
" £50 " " £100	0	8	6
BANKERS' COMPOSITION.			
Bank of England—on each £1,000,000 of the average amount of value of the bank post bills in circulation (the minimum average circulation on which composition is payable is £500,000) ..	3,500	0	0
Other bankers, for every £100 or fractional part of £100 of the average amount or value of notes and bills in circulation during every half year :—			
England and Ireland	0	3	6
Scotland { Notes	0	4	2
{ Bills	0	3	6
BILL OF EXCHANGE (Inland or Foreign) payable on demand or at sight or on presentation or within three days after date or sight ..	0	0	2

BILL OF EXCHANGE (Inland or Foreign) of any other kind whatsoever (except a Bank Note) and **PROMISSORY NOTE** of any kind whatsoever (except a Bank Note) drawn, or expressed to be payable, in the United Kingdom :

	£	s.	d.
Where the amount or value of the money for which the bill or note is drawn or made does not exceed £10		0	0 2
Exceeds £10 and does not exceed £25		0	0 3
" £25 " " £50		0	0 6
" £50 " " £75		0	0 9
" £75 " " £100		0	1 0
Exceeds £100, for every £100, and also for any fractional part of £100, of such amount or value		0	1 0

BILL OF EXCHANGE (Foreign), drawn and expressed to be payable out of the United Kingdom, and actually paid or endorsed, or in any manner negotiated, in the United Kingdom :

Where the amount does not exceed £10	0	0	2
Exceeds £10 and does not exceed £25	0	0	3
" £25 " " £100	0	0	6
Exceeds £100, for every £100 and also for any fractional part of £100	0	0	6

BILL OF LADING of, or for, any goods or merchandise, or effects to be exported or carried coastwise 0 0 6

BILL OF SALE.

Absolute. See Conveyance on sale.

By way of Security. See Mortgage, etc.

BOND, COVENANT or INSTRUMENT of any kind whatsoever.

- (1) Being the only or principal or primary security for any annuity (except upon the original creation thereof by way of sale or security and except a superannuation annuity) or for any sum or sums of money at stated periods, not being interest for any principal sum secured by a duly stamped instrument, nor rent reserved by a lease or tack :

For a definite and certain period so { The same *ad valorem* duty as a bond
that the total amount to be ultimately payable can be ascertained } or covenant for such total amount.
See Mortgage, etc.

For the term of life or any other indefinite period :—

For every £5 and also for any fractional part of £5 of the annuity or sum periodically payable 0 2 6

- (2) Being a collateral, or auxiliary, or additional or substituted security, for any of the above-mentioned purposes where the principal or primary instrument is duly stamped :

Where the total amount to be ultimately payable can be ascertained { The same *ad valorem* duty as a bond
or covenant of the same kind for such total amount.

In any other case :

For every £5, and also for every fractional part of £5, of the annuity or sum periodically payable 0 0 6

- (3) Being a grant or contract or payment of a superannuation annuity, that is to say, a deferred life annuity granted or secured to any person in consideration of annual premiums payable until he attains a specified age and so as to commence on his attaining that age :

For every £5 and also for any fractional part of £5 of the annuity 0 0 6

BOND given pursuant to the directions of any Act, or of the Commissioners of Customs, or any of their officers, for or in respect of any of the duties of Excise or Customs, or for preventing frauds or evasions thereof, or for any other matter or thing relating thereto :

Where the penalty of the bond does { The same *ad valorem* duty as a bond
not exceed £150 } for the amount of the penalty.

In any other case 0 5 0

BOND on obtaining letters of administration in England or Ireland, or a confirmation of testament in Scotland 0 5 0

BOND of any kind whatsoever not specifically charged with any duty :	£	s.	d.	
Where the amount limited to be recoverable does not exceed £300	} The same <i>ad valorem</i> duty as a bond for the amount limited.			
In any other case		0	10	0
CAPITAL DUTY (Limited Partnerships).				
Statement of the amount contributed by a limited partner, and statement of any increase in that amount.				
For every £100 or fractional part of £100 of original or additional capital so contributed		1	0	0
CAPITAL DUTY (SHARE).				
Companies and Corporations.				
For every £100 or fractional part of £100 of the nominal Share Capital or of any increase thereof		1	0	0
CERTIFICATE to be taken out yearly by every solicitor in England and Ireland ; law agent or writer to the Signet in Scotland, or as a notary public in any part of the United Kingdom ; and by every other person in England and Ireland legally qualified to act as a conveyancer, special pleader, or draughtsman in equity :—				
If such person practises in London within ten miles of the General Post Office ; within the city or shire of Edinburgh ; or in the city of Dublin, or within three miles therefrom		9	0	0
If such person practises beyond the above-mentioned limits		6	0	0
If he has not been in practice three years, half the foregoing rates.				
CERTIFICATE of Incorporation under The Charitable Trustees Incorporation Act, 1872 (35 & 36 Vict. c. 24), sec. 9, and application for such Certificate				
		0	10	0
CHARTER of resignation, confirmation, novodamus, or upon apprising, or upon decret of adjudication, or sale of any lands, or other heritable subjects in Scotland				
		0	5	0
CHARTER PARTY		0	0	6
COMMISSION OF LUNACY		0	5	0
COMPANIES' CAPITAL. See Capital Duty.				
CONTRACT NOTE [as defined by Finance (1909–10) Act, 1910, Part V], for or relating to the sale or purchase of any stock or marketable security :—				
Where the value of the stock or marketable security is £5 and does not exceed £100		0	0	6
Exceeds £100 and does not exceed £500		0	1	0
" £500	£1,000	0	2	0
" £1,000	£1,500	0	3	0
" £1,500	£2,500	0	4	0
" £2,500	£5,000	0	6	0
" £5,000	£7,500	0	8	0
" £7,500	£10,000	0	10	0
" £10,000	£12,500	0	12	0
" £12,500	£15,000	0	14	0
" £15,000	£17,500	0	16	0
" £17,500	£20,000	0	18	0
" £20,000		1	0	0
CONVEYANCE or TRANSFER.				
		On sale or by way of voluntary disposition		
		<i>inter vivos.</i>		
		In any other case.		
(1) Of any stock of the Bank of England		0	15	6
(2) Of any stock of the Government of Canada inscribed in books kept in the United Kingdom, or of any Colonial Stock to which the Colonial Stock Act, 1877, applies :—				
For every £100, and also for any fractional part of £100, of the nominal amount of stock transferred		0	5	0
		0	2	6

CONVEYANCE or TRANSFER on Sale or by way of
VOLUNTARY DISPOSITION *inter vivos*.

	Of any stocks or marketable securities (except Bank of England stock or Colonial Government stocks), or of any other property.	Of any property, except stocks and marketable securities, where the provisions of sect. 73, Finance (1909-10) Act, 1910, apply.
Where the amount or value of the consideration for the sale, or, in the case of voluntary disposition, the value of the property transferred, does not exceed £5	£ s. d.	£ s. d.
Exceeds £5 and does not exceed £10 ..	0 1 0	0 0 6
" £10	0 2 0	0 1 0
" £15	0 3 0	0 1 6
" £20	0 4 0	0 2 0
" £25	0 5 0	0 2 6
" £50	0 10 0	0 5 0
" £75	0 15 0	0 7 6
" £100	1 0 0	0 10 0
" £125	1 5 0	0 12 6
" £150	1 10 0	0 15 0
" £175	1 15 0	0 17 6
" £200	2 0 0	1 0 0
" £225	2 5 0	1 2 6
" £250	2 10 0	1 5 0
" £275	2 15 0	1 7 6
" £300	3 0 0	1 10 0
" £350	3 10 0	1 15 0
" £400	4 0 0	2 0 0
" £450	4 10 0	2 5 0
" £500	5 0 0	2 10 0
" £500	10s. per £50 or fractional part of £50.	

CONVEYANCE or TRANSFER of any kind not hereinbefore described £ s. d.
0 10 0

COPY or EXTRACT (attested or in any manner authenticated) of or from :—

- (1) An instrument chargeable with any duty.
- (2) An original will, testament, or codicil.
- (3) The probate or probate copy of a will or codicil.
- (4) Any letters of administration, or any confirmation of a testament.
- (5) Any public register (except any register of births, baptisms, marriages, deaths, burials, or cremations).
- (6) The books, rolls, or records of any court.

In the case of an instrument chargeable } The same duty as such
with duty not amounting to 1s. } instrument.
In any other case 0 1 0

COPY or EXTRACT (certified) of or from any register of births, baptisms, marriages, deaths, burials or cremations 0 0 1

COPYHOLD and CUSTOMARY ESTATES—Instruments relating thereto.

Upon a sale thereof. See Conveyance on Sale.

Upon a mortgage thereof. See Mortgage, &c.

Upon a demise thereof. See Lease or Tack.

Upon any other occasion :

Surrender or grant made out of court, or the memorandum thereof,

and copy of court roll of any surrender or grant made in court 0 10 0

COVENANT for securing the payment or repayment of money, or the transfer or retransfer of stock. <i>See</i> Mortgage, &c.	£	s.	d.
COVENANT in relation to any annuity upon the original creation and sale thereof. <i>See</i> Conveyance on Sale.			
COVENANT in relation to any annuity (except upon the original creation and sale thereof), or to other periodical payments. <i>See</i> Bond, Covenant, &c.			
COVENANT. Any separate deed of covenant (not being an instrument chargeable with <i>ad valorem</i> duty as a conveyance on sale or mortgage) made on the sale or mortgage of any property, and relating solely to the conveyance or enjoyment of, or the title to, the property sold or mortgaged, or to the production of the muniments of title relating thereto, or to all or any of the matters aforesaid.			
Where the <i>ad valorem</i> duty in respect of the consideration or mortgage money does not exceed 10s.	} A duty equal to the amount of such <i>ad valorem</i> duty.		
In any other case	0	10	0
DECLARATION of any use or trust of or concerning any property by any writing, not being a will, or an instrument chargeable with <i>ad valorem</i> duty as a settlement, or as a voluntary disposition <i>inter vivos</i>	0	10	0
DEED whereby any real burden is declared or created on lands or heritable subjects in Scotland. <i>See</i> Mortgage, &c.			
DEED containing an obligation to infeft any person in heritable subjects in Scotland, under a clause of reversion, as a security for money. <i>See</i> Mortgage, &c.			
DEED containing an obligation to infeft or seize in an annuity to be uplifted out of heritable subjects in Scotland. <i>See</i> Bond, Covenant, &c.			
DEED of any kind whatsoever, not otherwise described	0	10	0
DEEDS OF ARRANGEMENT ACT, 1914 (4 & 5 Geo. 5, c. 47), Section 5. Upon every deed of arrangement registered under the provisions of this Act—			
For every £100 or fraction of £100 of the sworn value of the property passing, or (where no property passes under the deed) the amount of composition payable under the deed.	} 1s. in addition to the proper inland revenue duty.		
DEPUTATION or APPOINTMENT of a gamekeeper	0	10	0
DISPOSITION in Scotland of any property, not otherwise described..	0	10	0
DOCKET made on passing any instrument under the Great Seal of the United Kingdom	0	2	0
DOCK WARRANT. <i>See</i> Warrant for Goods.			
DUPLICATE or COUNTERPART of any instrument chargeable with any duty :			
Where such duty does not amount to 5s.	} The same duty as the original instrument.		
In any other case	0	5	0
EXCHANGE or EXCAMBION.—Instruments effecting :			
Where the consideration given for equality does not exceed £100..	0	10	0
EXEMPLIFICATION or CONSTAT under the Great Seal of the United Kingdom of Great Britain and Ireland of any letters patent or grant made or to be made by His Majesty, or by any of his royal predecessors of any honour, dignity, promotion, franchise, liberty, or privilege, or of any lands, office, or other thing whatsoever	5	0	0
EXEMPLIFICATION under the seal of any court in England or Ireland of any record or proceeding therein	3	0	0

FACULTY, LICENCE, COMMISSION, or DISPENSATION for admitting or authorising any person to act as a notary public : £ s. d.

In England	30	0	0
In Scotland or Ireland	20	0	0

FACULTY or DISPENSATION of any other kind :

In England	30	0	0
In Ireland	25	0	0

FISHERIES. Appointment of Water Bailiff under " The Fisheries (Ireland) Act, 1845," (18 & 19 Vict. c. 108) 0 5 0

GRANT or LETTERS PATENT under the Great Seal of the United Kingdom of Great Britain and Ireland, or of the Great Seal of Ireland, or the Seal of the Duchy or County Palatine of Lancaster, or under the Seal kept and used in Scotland in place of the Great Seal formerly used there :

Of the honour or dignity of a Duke	350	0	0
" " " of a Marquis	300	0	0
" " " of an Earl	250	0	0
" " " of a Viscount	200	0	0
" " " of a Baron	150	0	0
" " " of a Baronet	100	0	0

Of a congé d'elire to any dean and chapter for the election of an archbishop or bishop	} 30	0	0
Of the Royal Assent to or signification of the election made by any dean and chapter or of the nomination and presentation by His Majesty, in default of such election, of any person to be an archbishop or bishop			
Of or for the restitution of the temporalities to any archbishop or bishop			
Of any other honour, dignity, or promotion whatsoever.. .. .			
Of any franchise, liberty, or privilege to any person or body politic or corporate			

GRANT or WARRANT OF PRECEDENCE to take rank among nobility, under the sign manual of His Majesty 100 0 0

GRANT or LICENCE under the sign manual of His Majesty to take and use a surname and arms, or a surname only :

In compliance with the injunctions of any will or settlement..	50	0	0
Upon any voluntary application	10	0	0

GRANT of arms or armorial ensigns only, under the sign manual of His Majesty, or by any of the Kings of Arms of England, Scotland, or Ireland 10 0 0

GRANT of the custody of the person or estate of any lunatic.. .. . 2 0 0

HABITUAL DRUNKARDS' RETREAT. See Licence.

INSTRUMENT TO BEARER (not being a share warrant or stock certificate to bearer) by means of which any share or stock of any Company formed or established out of the United Kingdom is assigned, transferred, or in any manner negotiated in the United Kingdom [Sections 4 (2) and 6 of Finance Act, 1899] :

For every £25, and also for every fractional part of £25 of the nominal value of the share of stock	0	0	3
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LEASE or TACK.

(1) For any definite term not exceeding a year

Of any dwelling-house, or part thereof, at a rent not exceeding the rate of £10 per annum	0	0	1
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LEASE OR TACK—*contd.*

£ s. d.

(2) For any definite term less than a year :

Of any furnished dwelling-house or apartments where the rent for such term exceeds £25 0 5 0

Of any lands, tenements, or heritable subjects except or otherwise than as aforesaid. } The same duty as a lease for a year at the rent reserved for the definite term.

(3) For any other definite term, or for any indefinite term :

Of any lands, tenements, or heritable subjects—

Where the consideration, or any part thereof, moving to the lessor or to any other person, consists of any money, stock, or security :

In respect of such consideration (subject to the provisions of Section 15, Revenue Act, 1911).

} The same duty as a conveyance on a sale for the same consideration. (See heading "CONVEYANCE or TRANSFER ON Sale.")

Where the consideration, or any part thereof, is any rent :

In respect of such consideration :

If the rent, whether reserved as a yearly rent or otherwise, is at a rate or average rate :

	If the Term does not exceed 35 Years, or is Indefinite.	If the Term exceeds 35 Years, but does not exceed 100 Years.	If the Term exceeds 100 Years.
	£ s. d.	£ s. d.	£ s. d.
Not exceeding £5 per annum ..	0 1 0	0 6 0	0 12 0
Exceeding £5 and not exceeding £10	0 2 0	0 12 0	1 4 0
" £10 £15	0 3 0	0 18 0	1 16 0
" £15 £20	0 4 0	1 4 0	2 8 0
" £20 £25	0 5 0	1 10 0	3 0 0
" £25 £50	0 10 0	3 0 0	6 0 0
" £50 £75	0 15 0	4 10 0	9 0 0
" £75 £100	1 0 0	6 0 0	12 0 0
" £100. For every full sum of £50, and also for any fractional part of £50 thereof	0 10 0	3 0 0	6 0 0

(4) Of any other kind whatsoever not before described 1 0 0

LETTER OF ALLOTMENT and LETTER OF RENUNCIATION, or any other document having the effect of a letter of allotment :

- (1) Of any share or fractional part of a share of any company or proposed company.
- (2) In respect of any loan raised or proposed to be raised, by any company or proposed company, or by any municipal body or corporation.
- (3) Issued or delivered in the United Kingdom, of any share or fractional part of a share of any foreign or colonial company or proposed company, or in respect of any loan raised or proposed to be raised by or on behalf of any foreign or colonial state, government, municipal body, corporation, or company :

Where the nominal amount which is allotted or to which the letter of renunciation relates is less than £5

Do. Do. not less than £5 0 0 1

0 0 6

LETTER OR POWER OF ATTORNEY, and COMMISSION, FACTORY, MANDATE, or other instrument in the nature thereof :	£	s.	d.
(1) For the sole purpose of appointing or authorising a proxy to vote at any one meeting at which votes may be given by proxy, whether the number of persons named in such instrument be one or more	0	0	1
(2) By any petty officer, seaman, marine, or soldier serving as a marine, or his representatives, for receiving prize money or wages.. .. .	0	1	0
(3) For the receipt of the dividends or interest of any stock : Where made for the receipt of one payment only ..	0	1	0
In any other case	0	5	0
(4) For the receipt of any sum of money, or any bill of exchange or promissory note for any sum of money, not exceeding £20, or any periodical payments, not exceeding the annual sum of £10 (<i>not being hereinbefore charged</i>).. .. .	0	5	0
(5) Of any kind whatsoever not hereinbefore described and not specially exempted	0	10	0
LETTERS OF MARQUE AND REPRISAL	5	0	0
LICENCES.			
Bankers	30	0	0
Marriage, if special (in England or Ireland)	5	0	0
Marriage, not special (in England)	0	10	0
Attorneys', Solicitors', Notaries', &c. <i>See Certificate and Faculty.</i>			
LICENCE under the seal of any archbishop, bishop, chancellor, or other ordinary, or by any ecclesiastical court in England or Ireland, or by any presbytery or other ecclesiastical power in Scotland :			
(1) To hold the office of lecturer, reader, chaplain, church clerk, chapel clerk, parish clerk, or sexton			
(2) For licensing a building for the performance of divine service within an ecclesiastical district formed under the provisions of the New Parishes Acts	0	10	0
(3) For licensing any chapel for the solemnization of marriages therein, pursuant to the provisions of the Act 6 & 7, Will. 4, c. 85			
(4) For any other purpose	2	0	0
LICENCE TO KEEP A RETREAT under the Habitual Drunkards Act, 1879 (42 & 43 Vict. c. 19), s. 14 :			
Upon every licence	5	0	0
And for every patient above ten, whom it is intended to admit into the retreat	0	10	0
LICENCE or RENEWED LICENCE for a house for the reception of lunatics under the Lunacy Act, 1890 (53 & 54 Vict. c. 5), s. 216..	0	10	0
LIMITED PARTNERSHIPS. <i>See Capital Duty.</i>			
LOAN CAPITAL DUTY.			
Local Authorities, Corporations, Companies, &c. Issue of Loan Capital not secured by an Instrument bearing the Mortgage or Marketable Security Duty—			
For every £100 or fractional part of £100 of the amount secured by the issue	0	2	6
LUNACY ACT. <i>See Licence.</i>			
MARKETABLE SECURITY as defined by sect. 82, Stamp Act, 1891 :			
I. Not transferable by delivery	The same duty as upon a Mortgage for the same amount.		
II. Transferable by delivery :—			
A. Colonial Government Security ..	} Double the duty upon a Mortgage for the same amount.		
B. Colonial Municipal Security :—			
(1) Bearing date or signed before or on the 6th August, 1885			

MARKETABLE SECURITY, &c.—contd.

(2) Bearing date or signed or offered for subscription after 6th August, 1885 :

- (a) Repayable within a period not exceeding one year of date when duty payable 6d. for every £10
- (b) Repayable within a period not exceeding three years of date when duty payable 1s. for every £10
- (c) Repayable at a period exceeding three years of date when duty payable.. 2s. for every £10
- (d) Security substituted for one duly stamped under (c) 1s. for every £20

C. Other than Colonial Municipal and Colonial Government:—

(1) Bearing date or signed before or on 6th August, 1885 :

- (a) Repayable within a period not exceeding one year of date when duty payable 6d. for every £10
- (b) Repayable within a period not exceeding three years of date when duty payable 1s. for every £10
- (c) Repayable at a time exceeding } Four times the duty }
ing three years of date when } upon a Mortgage for }
duty payable } the same amount.

(2) Bearing date or signed or offered for subscription after 6th August, 1885 :

- (a) Repayable within a period not exceeding one year of date when duty payable 6d. for every £10
- (b) Repayable within a period not exceeding three years of date when duty payable 1s. for every £10
- (c) Repayable at a time exceeding three years of date when duty payable .. 4s. for every £10
- (d) Security substituted for one duly stamped under (c) 2s. for every £20

MARKETABLE SECURITY as described in Finance Act, 1899, sections 4 (1) and 6:—

- Repayable within a period not exceeding one year of date when duty payable 6d. for every £10
- Repayable within a period not exceeding three years of date when duty payable 1s. for every £10
- Repayable at a time exceeding three years of date when duty payable 4s. for every £10

MEMORANDUM OF ASSOCIATION of a company under the Companies (Consolidation) Act, 1908 (8 Edw. 7, c. 69), Sec. 6, to be stamped as a deed 0 10 0

MEMORIAL to be registered pursuant to any Act for the time being in force relating to the public registering of deeds in England or Ireland :

Where the instrument registered is chargeable } The same duty as the regis-
with any duty not amounting to 2s. 6d. } tered instrument.

In any other case 0 2 6

MORTGAGE, BOND, DEBENTURE, COVENANT (except a Marketable Security otherwise specially charged with duty), and **WARRANT OF ATTORNEY** to confess and enter up judgment :

- (1) Being the only or principal or primary security (other than an equitable mortgage) for the payment or repayment of money :
 - Not exceeding £10 0 0 3
 - Exceeding £10 and not exceeding £25 0 0 8
 - " £25 0 1 3
 - " £50 0 2 6
 - " £100 0 3 9
 - " £150 0 5 0
 - " £200 0 6 3
 - " £250 0 6 3
 - " £300 0 7 6
 - Exceeding £300
 - For every £100

MORTGAGE, BOND, &c.—*contd.*

£ s. d.

- (2) Being a collateral, or auxiliary, or additional or substituted security (other than an equitable mortgage), or by way of further assurance for the above-mentioned purpose where the principal or primary security is duly stamped :
 For every £100, and also for any fractional part of £100 of the amount secured 0. 0 6
 (But the whole amount of duty shall not exceed 10s.)
- (3) Being an equitable mortgage :
 For every £100, and any fractional part of £100, of the amount secured 0 1 0
- (4) Transfer, Assignment, Disposition, or Assignment of any mortgage, bond, debenture, or covenant (except a marketable security), or of any money or stock secured by any such instrument, or by any warrant of attorney to enter up judgment, or by any judgment :
 For every £100, and also for any fractional part of £100, of the amount transferred, assigned, or disposed, exclusive of interest which is not in arrear 0 0 6
 And also where any further money is added to the money already secured { The same duty as a principal security for such further money.
- (5) Reconveyance, Release, Discharge, Surrender, Re-surrender, Warrant to Vacate, or Renunciation of any such security as aforesaid, or of the benefit thereof, or of the money thereby secured :
 For every £100, and also for any fractional part of £100, of the total amount or value of the money at any time secured 0 0 6

NOTARIAL ACT of any kind whatsoever. (Except a protest of a bill of exchange or promissory note, or any notarial instrument to be expedited and recorded in any register of sasines) 0 1 0

NOTICE TO QUIT to be served on a tenant of a holding in Ireland (Irish Land Act, 33 & 34 Vict. c. 46, sec. 57) 0 2 6

PARTITION or DIVISION.

If the consideration for equality does not exceed £100 0 10 0

PASSPORT 0 0 6

POLICY OF INSURANCE AGAINST ACCIDENT and POLICY OF INSURANCE for any payment agreed to be made during the sickness of any person, or his incapacity from personal injury, or by way of indemnity against loss or damage of or to any property, and Policy of Insurance or Indemnity against liability incurred by employers in consequence of claims made upon them by workmen who have sustained personal injury, when the annual premium on such policies does not exceed two pounds 0 0 6

POLICY OF LIFE INSURANCE :

Where the sum insured does not exceed £10 0 0 1

Exceeds £10 but does not exceed £25 0 0 3

Exceeds £25 but does not exceed £500 :—

For every full sum of £50, and also for any fractional part of £50, of the amount insured 0 0

Exceeds £500 but does not exceed £1,000 :—

For every full sum of £100, and also for any fractional part of £100, of the amount insured 0 1 3/4

Exceeds £1,000 :—

For every full sum of £1,000, and also for any fractional part of £1,000, of the amount insured 0 10

POLICY OF SEA INSURANCE :

£ s. d.

- (1) Where the premium or consideration does not exceed the rate of 2s. 6d. per centum of the sum insured 0 0 1

Where the premium or consideration is expressed to be a sum not exceeding the rate of half-a-crown per cent., and is subject to an increase (whether defined or not in the policy) in the event of the occurrence of a specified contingency, it shall be treated as one not exceeding the rate of half-a-crown per cent. But if, owing to the occurrence of the contingency, the premium or consideration is increased so as to exceed the rate of half-a-crown per cent., the policy or a new policy to be thereupon issued shall be stamped with the additional duty payable and may be so stamped without penalty at any time not exceeding thirty days after the date on which the increased premium or consideration becomes ascertained.

- (2) In any other case :—

- (a) For or upon any voyage :—

Where the sum insured does not exceed £250	0 0 3
Where the sum exceeds £250 but does not exceed £500	0 0 6
Where the sum exceeds £500 but does not exceed £750	0 0 9
Where the sum exceeds £750 but does not exceed £1,000	0 1 0
Where the sum exceeds £1,000, for every £500 or fractional part of £500	0 0 6

- (b) For time :—

Where the insurance is made for any time not exceeding six months a duty equivalent to three times the above amounts.

Where the insurance is made for any time exceeding six months but not exceeding twelve months a duty equivalent to six times the above amounts.

POWER OF ATTORNEY. See Letter of Attorney.

PRECEPT OF CLARE CONSTAT to give seisin of lands or other heritable subjects in Scotland 0 5 0

PROCURATION, deed, or other instrument of 0 10 0

PROMISSORY NOTE. See Bank Note, Bill of Exchange.

PROTEST, of any bill of exchange or promissory note :—

Where the duty on the bill or note does not exceed 1s.	} The same duty as the bill or note.
In any other case . . . . .		0 1 0

PROXY. See Letter or Power of Attorney.

RECEIPT given for, or upon the payment of money amounting to £2 or upwards 0 0 2

RELEASE or RENUNCIATION of any property, or of any right or interest in any property :—

Upon a sale or by way of voluntary disposition *inter vivos*. See Conveyance on Sale. By way of security. See Mortgage, &c.

In any other case 0 10 0

RESIGNATION.

Principal or original instrument of resignation, or service of cognition of heirs, or charter or seisin of any houses, lands, or other heritable subjects in Scotland holding burgage, or of burgage tenure 0 5 0

And instrument of resignation of any lands or other heritable subjects in Scotland not of burgage tenure 0 5 0

REVOCAION of any use or trust of any property by any writing, not being a will 0 10 0

SCRIP CERTIFICATE, SCRIP, or other document :

	£	s.	d.
(1) Entitling any person to become the proprietor of any share of any company or proposed company			
(2) Issued or delivered in the United Kingdom and entitling any person to become the proprietor of any share of any foreign or colonial company or proposed company			
(3) Denoting, or intended to denote, the right of any person as a subscriber in respect of any loan raised or proposed to be raised by any company or proposed company, or by any municipal body or corporation	0	0	2
(4) Issued or delivered in the United Kingdom and denoting, or intended to denote, the right of any person as a subscriber in respect of any loan raised or proposed to be raised by or on behalf of any foreign or colonial state, government, municipal body, corporation, or company			

SEISIN.

Instrument of seisin given upon any charter, precept of clare constat, or precept from Chancery, or upon any wadset, heritable bond, disposition, apprizing, adjudication or otherwise of any lands or heritable subjects in Scotland	0	5	0
And any NOTARIAL INSTRUMENT to be expedited and recorded in any register of sasines	0	5	0

SETTLEMENT.

Any instrument, whether voluntary or upon any good or valuable consideration, other than a bona fide pecuniary consideration, whereby any definite and certain principal sum of money (whether charged or chargeable on lands or other hereditaments or heritable subjects, or not, or to be laid out in the purchase of lands or other hereditaments or heritable subjects or not) or any definite and certain amount of stock, or any security, is settled or agreed to be settled in any manner whatsoever :—

For every £100, and also for any fractional part of £100, of the amount or value of the property settled or agreed to be settled	0	5	0
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Where, however, an instrument is chargeable with duty both as a conveyance or transfer operating as a voluntary disposition *inter vivos* under Section 74 of the Finance (1909-10) Act, 1910, and as a Settlement under the heading "Settlement" in the First Schedule of the Stamp Act, 1891, the instrument is to be charged with duty as a conveyance or transfer under Section 74, but not as a Settlement. [See in this connection Section 74 (4) and (5) of the Finance (1909-10) Act, 1910].

SHARE CERTIFICATE (FOREIGN). See Instrument to Bearer.

SHARE WARRANT or STOCK CERTIFICATE TO BEARER :

(1) Of a company formed or established in the United Kingdom	}	A duty of an amount equal to three times the amount of the <i>ad valorem</i> stamp duty which would be chargeable on a deed transferring the share or shares or stock specified in the warrant or certificate if the consideration for the transfer were the nominal value of such share or shares or stock.
(2) Of a company formed or established out of the United Kingdom by means of which any share or stock is assigned, transferred or in any manner negotiated in the United Kingdom [Sec. 4 (1), Finance Act, 1899] :—		

For every £10, and also for any fractional part of £10, of the nominal value of the share or stock to which the warrant or certificate relates	0	4	0
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SUPERANNUATION ANNUITY. *See* Bond, Covenant, &c. £ s. d.

SURRENDER :

Of copyholds. *See* copyhold.

Of any other kind whatsoever not chargeable with duty as a conveyance on sale or by way of voluntary disposition *inter vivos* or as a mortgage 0 10 0

TRANSFER. *See* Conveyance or Transfer.

TRANSFER.

Any request or authority to the purser or other officer of any mining company, conducted on the cost book system, to enter or register any transfer of any share or part of a share in any mine, or any notice to such purser or officer of any such transfer 0 0 6

VOTING PAPER.

Any instrument for the purpose of voting by any person entitled to vote at any meeting of any body exercising a public trust, or of the shareholders or members or contributors to the funds of any company, society or institution 0 0 1

WARRANT OF ATTORNEY, to confess and enter up a judgment given as a security for the payment or repayment of money, or for the transfer or re-transfer of stock. *See* Mortgage, &c.

WARRANT OF ATTORNEY of any other kind 0 10 0

WARRANT FOR GOODS 0 0 3

WARRANT under the sign manual of His Majesty 0 10 0

WRIT :

(1) Of ACKNOWLEDGMENT under " The Registration of Leases (Scotland) Act, 1857 "	}	0 5 0
(2) Of ACKNOWLEDGMENT by any person infeft in lands in Scotland in favour of the heir or disponee of a creditor fully vested in right of an heritable security constituted by infeftment		
(3) Of RESIGNATION and CLARE CONSTAT		

GENERAL EXEMPTIONS FROM ALL STAMP DUTIES.

- (1) Transfers of shares in the Government or Parliamentary Stocks or Funds.
 - (2) Instruments for the sale, transfer, or other disposition, either absolutely or by way of mortgage, or otherwise, of any ship or vessel, or any part interest share or property of or in any ship or vessel.
 - (3) Instruments of apprenticeship, bonds, contracts, and agreements entered into in the United Kingdom, for or relating to the service in any of His Majesty's colonies or possessions abroad of any person as an artificer, clerk, domestic servant, handicraftsman, mechanic, gardener, servant in husbandry or labourer.
 - (4) Testaments, testamentary instruments and dispositions *mortis causa* in Scotland.
 - (5) Bonds given to sheriffs or other persons in Ireland upon the replevy of any goods or chattels and assignments of such bonds.
 - (6) Instruments made by, to, or with the Commissioners of Works for any purposes of the Act 15 and 16 Vict. c. 28.
- For exemptions other than General Exemptions, *see* under the various headings in the First Schedule to the Stamp Act, 1891 (54 & 55 Vict. c. 39), and also various other enactments.

TABLE 38.—BUDGET ESTIMATE, AMOUNT PAID INTO THE EXCHEQUER, AND NET RECEIPT OF STAMP DUTIES.

Year ended 31st March.	Budget Estimate of the Amount receivable by the Exchequer.	Amount Paid into the Exchequer in the Year.	NET RECEIPT.			
			In ENGLAND.	In SCOTLAND	In IRELAND	In the UNITED KINGDOM.
1910-11 ..	£ 9,600,000	£ 9,784,000	£ 8,737,909	£ 626,656	£ 326,053	£ 9,690,618
1911-12 ..	9,600,000	9,454,000	8,633,919	604,435	326,225	9,564,579
1912-13 ..	9,400,000	10,059,000	9,119,963	619,107	336,405	10,075,475
1913-14 ..	9,800,000	9,966,000	9,020,532	626,648	336,183	9,983,363
1914-15 ..	7,575,000	7,577,000	6,588,984	541,728	304,081	7,434,793
1915-16 ..	6,500,000	6,764,000	5,977,402	491,971	310,625	6,779,998
1916-17 ..	7,000,000	7,878,000	6,904,868	516,451	343,097	7,764,416
1917-18 ..	8,000,000	8,300,000	7,554,869	587,924	411,031	8,553,824
1918-19 ..	9,250,000	12,438,000	10,944,256	893,256	579,509	12,417,021
1919-20 ..	16,000,000	22,586,000	20,604,893	1,483,649	802,925	22,891,467
1920-21 ..	25,200,000	26,591,000	23,831,798	1,798,760	910,256	26,540,814

TABLE 39.—DETAILS (PARTLY ESTIMATED) OF THE NET RECEIPT OF STAMP DUTIES IN THE YEAR ENDED 31ST MARCH, 1921.

		NET RECEIPT OF DUTY.			
		ENGLAND.	SCOTLAND	IRELAND	UNITED KINGDOM.
		£	£	£	£
Conveyances (Lands and Houses)	On Sale.. Single Rate	425,100	12,520	15,985	453,605
	" .. Double "	4,308,790	347,080	202,145	4,858,015
	Voluntary dispositions				
	Single Rate	3,207	355	2,206	5,768
	Double "	45,160	5,030	9,115	59,305
Conveyances (Other Property)	On Sale.. Single "	13,640	1,110	410	15,160
	" .. Double "	614,480	38,490	3,637	656,607
	Voluntary dispositions				
	Single Rate	1,810	18	61	1,889
	Double "	21,270	4,435	1,030	26,735
Mortgages, &c. (Lands and Houses..		244,940	17,120	8,460	270,520
" (Other Property) ..		153,110	3,180	1,710	158,000
Leases		278,245	14,345	23,467	316,057
Settlements		61,100	5,880	1,410	68,390
Letters of Allotment.. .. .		23,950	1,060	159	25,169
Marketable Securities transferable by delivery		596,616	6,048	649	603,313
Share Warrants to Bearer		185,274	688	113	186,075
Bonds, Debentures, &c. (at 2s. 6d. per cent. duty)		146,605	10,893	1,561	159,059
Companies' Share Capital Duty		5,482,810	370,311	107,187	5,960,308
Loan Capital Duty		74,401	1,512	614	76,527
Contract Notes (Brokers')		148,430	11,562	6,320	166,312
Transfers of stocks and shares	On Sale	3,090,270	287,550	96,180	3,474,000
	Voluntary dispositions	31,940	9,850	1,370	43,160
Composition for duty from corpora- tions, &c.		224,334	4,833	1,377	230,544
Cheques		3,060,000	253,300	161,700	3,475,000
Receipts, &c.		1,123,640	123,823	82,716	*1,330,179
Bills of Exchange and Promissory Notes :—					
Inland		504,203	40,002	47,804	592,009
Foreign		1,204,695	2,900	645	1,208,240
Bankers' Bills and Notes		61,538	120,855	90,049	272,442
Bills of Lading		95,810	7,780	410	104,000
Marine Insurance Policies		894,156	11,092	1,002	906,250
Life Insurance Policies		151,268	10,659	972	162,899
Agreements under hand		35,000	1,890	1,774	38,664
Documents (deeds, &c.) not classified		367,420	27,134	24,690	419,244
Transfers from Post Office Receipts (for adhesive stamps above 2d. in value on deeds, &c.)		42,300	1,700	1,600	45,600
Solicitors' and Conveyancers' Certi- ficates		101,833	20,586	9,933	132,352
Bankers' Licences		630	21,960	870	23,460
Certificates of Registration of Alkali and other Works		3,970	506	173	4,649
Penalties		9,853	703	752	11,308
Totals		23,831,798	1,798,760	910,256	26,540,814

* A further sum of £547,000 has since been received from the Post Office in respect of postage stamps used for Receipt Stamp Duty.

TABLE 40.—DETAILS (PARTLY ESTIMATED) OF THE NET RECEIPT OF STAMP DUTIES.—UNITED KINGDOM.

	1910-11.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
Conveyances (Lands and Houses).	943,762	1,062,506	1,137,402	1,154,957	940,155	726,541	736,452	1,045,430	1,904,667	4,464,212	5,376,693
Conveyances (other Property).	270,876	(c) 398,864	(d) 346,239	329,988	265,181	153,140	147,436	190,160	287,608	698,935	700,391
Mortgages, &c. (Lands and Houses).	132,864	126,786	130,795	134,285	104,840	78,090	64,516	63,630	88,535	208,360	270,520
Mortgages, &c. (other Property).	51,154	44,205	59,774	48,023	47,900	35,880	28,131	28,000	32,475	68,695	158,000
Leases	227,691	220,372	239,903	222,483	189,190	174,770	158,702	156,830	165,425	249,493	316,057
Settlements	59,839	56,119	55,859	65,805	49,860	48,820	45,634	41,170	51,366	73,565	68,390
Letters of Allotment	9,771	11,597	12,856	16,838	6,294	2,284	2,207	2,740	13,220	51,908	25,169
Marketable Securities transferable by delivery (b)	826,881	851,520	916,669	1,034,750	499,247	350,897	507,592	167,441	103,554	459,213	603,313 (f)
Share Warrants to Bearer (b)	119,511	128,068	152,105	150,160	44,679	51,830	23,875	25,635	25,189	96,825	186,075 (f)
Bonds, Debentures, &c. (at 2s. 6d. per cent. Duty).	80,601	84,952	83,003	81,991	72,360	43,787	57,444	43,320	50,150	109,668	159,059
Companies' Share Capital Duty.	724,121	554,493	702,045	705,488	397,188	221,359	213,474	523,177	1,037,635	3,694,433	5,960,308 (g)
Loan Capital Duty	12,968	15,046	11,850	21,219	13,526	8,736	8,400	10,147	10,664	9,534	76,527
Contract Notes (Brokers')	449,799	400,137	393,922	311,804	110,036	84,984	83,177	93,285	127,394	288,932	166,312
Transfers of Stocks and Shares.	1,866,137	1,660,258	1,752,368	1,430,800	847,805	715,779	1,145,279	1,441,930	2,111,650	4,992,155	3,517,160 (f)
Composition for duty from Corporations, &c.	115,013	116,683	116,594	116,858	118,670	121,981	105,789	122,840	109,670	111,285	230,544 (f)
Cheques (a)	1,170,000	1,182,000	1,210,500	1,290,600	1,233,000	1,267,000	1,310,000	1,347,400	3,060,200	3,045,000	3,475,000
Receipts, &c. (a)	698,214	704,681	711,665	726,231	713,656	727,573	735,360	738,975	733,550	790,234	1,330,179 (f)

Companies' Duty	Share	Capital	{ England Scotland Ireland	694,262 26,482 3,377	523,234 26,568 4,691	675,233 21,730 5,062	665,043 32,474 7,971	375,229 19,145 2,814	199,899 19,229 2,231	200,340 10,365 2,869	500,173 18,712 4,292	972,633 52,316 12,674	3,458,400 186,688 49,345	5,482,810 370,311 107,187
Loan Capital Duty			{ England Scotland Ireland	10,856 1,235 877	12,621 2,307 118	10,170 1,112 368	20,525 503 191	10,476 2,879 171	7,847 368 21	6,818 1,482 100	9,089 1,050 8	10,247 417 —	8,099 822 613	74,401 1,512 614
Contract Notes (Brokers')			{ England Scotland Ireland	415,289 26,130 8,380	372,949 19,236 7,952	366,930 19,505 7,487	289,147 17,334 5,323	100,655 6,863 2,518	76,572 5,050 3,962	75,290 5,824 2,063	81,843 7,899 3,843	111,724 10,136 5,534	250,776 25,993 12,163	148,430 11,562 6,320
Transfers of Stocks and Shares			{ England Scotland Ireland	1,694,791 129,499 41,847	1,519,334 102,352 38,572	1,609,292 104,030 39,046	1,293,883 105,817 31,100	761,885 65,950 19,970	640,644 54,801 20,334	1,028,918 90,830 25,531	1,281,658 119,922 40,350	1,878,885 183,501 49,264	4,473,555 409,205 109,995	3,122,210 297,400 97,550
Composition for Duty from Corporations, &c.			{ England Scotland Ireland	106,844 3,805 4,364	110,084 3,785 2,814	109,571 3,671 3,352	111,257 3,351 2,250	113,081 3,403 2,186	116,224 3,477 2,280	100,114 3,474 2,201	117,875 2,784 2,181	104,112 3,454 2,104	105,738 3,395 2,152	224,334 4,833 1,377
Cheques			{ England Scotland Ireland	1,028,160 82,403 59,437	1,033,917 87,735 60,348	1,064,900 83,980 61,620	1,135,000 90,200 65,400	1,080,000 89,500 63,500	1,120,000 85,500 61,500	1,152,500 91,000 66,500	1,178,000 96,000 73,400	2,654,000 237,000 169,200	2,685,200 205,300 154,600	3,060,000 253,300 161,700
Receipts, &c.			{ England Scotland Ireland	588,951 64,740 44,523	594,210 65,561 44,910	601,353 65,117 45,195	612,567 67,234 46,430	598,853 68,091 46,912	610,320 69,067 48,186	617,348 69,938 48,074	620,626 69,430 49,919	616,144 67,013 50,393	661,148 76,824 52,462	1,123,640 123,823 82,716
Bills of Exchange and Promissory Notes			{ England Scotland Ireland	248,982 39,198 30,855	256,873 38,294 31,673	270,410 37,636 31,989	292,294 38,127 33,159	236,496 33,795 31,380	310,850 25,979 26,592	428,523 22,063 25,357	425,104 19,520 26,101	212,097 16,585 26,233	379,274 25,020 32,085	504,203 40,002 47,804
Foreign			{ England Scotland Ireland	542,033 3,100 839	566,091 3,156 763	623,354 3,614 817	667,871 3,653 702	421,965 2,577 504	383,136 3,003 488	580,777 2,651 489	722,231 1,237 226	822,783 802 211	1,151,703 1,868 389	1,204,695 2,900 645
Bankers' Bills and Notes			{ England Scotland Ireland	63,731 29,456 27,481	63,486 29,987 26,991	63,327 30,737 27,070	63,164 31,704 29,565	62,560 34,564 31,020	62,909 45,325 41,670	63,304 59,142 56,688	63,207 71,112 68,419	63,668 94,762 86,360	62,358 112,633 107,742	61,538 120,855 90,049
Bills of Lading			{ England Scotland Ireland	94,749 10,414 443	101,676 10,853 518	105,020 12,440 398	107,920 11,450 329	78,670 8,640 255	78,700 7,782 195	73,860 6,698 235	52,700 3,660 220	48,700 3,000 144	84,160 6,720 203	95,810 7,780 410

(Table continued on next page.)

* Includes £100,000 paid by the Port of London Authority.

† Includes £64,119 paid by the Midland Railway Company.

‡ See relative note on page 66.

TABLE 41.—DETAILS (PARTLY ESTIMATED) OF THE NET RECEIPT OF STAMP DUTIES.—ENGLAND, SCOTLAND, AND IRELAND—continued.

	1910-11.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
Marine Insurance Policies ..	£ 153,903 4,258 529	£ 159,715 4,516 432	£ 176,019 5,305 452	£ 184,357 4,827 453	£ 238,231 4,594 445	£ 386,906 6,435 585	£ 524,113 6,143 834	£ 519,007 5,442 1,227	£ 494,496 6,455 987	£ 640,909 7,806 737	£ 894,156 11,092 1,002
Life Insurance Policies ..	£ 98,798 6,133 32	£ 88,099 5,743 —2†	£ 93,977 6,215 12	£ 104,062 7,155 1	£ 86,446 5,683 15	£ 80,456 5,097 17	£ 68,652 5,362 2	£ 74,055 5,555 5	£ 91,381 6,945 71	£ 152,438 11,348 949	£ 151,268 10,659 972
Agreements under hand ..	£ 31,092 2,069 1,645	£ 29,520 2,015 1,455	£ 29,340 2,050 1,488	£ 30,880 2,096 1,517	£ 24,690 1,650 1,435	£ 23,888 1,475 1,515	£ 19,810 1,320 1,491	£ 18,920 2,300 1,540	£ 20,700 1,425 1,360	£ 37,255 2,435 1,668	£ 35,000 1,890 1,774
Documents (Deeds, &c.) not classified ..	£ 276,903 24,378 18,652	£ 259,204 24,207 19,636	£ 258,500 22,850 17,448	£ 262,396 21,396 20,347	£ 221,440 19,050 18,879	£ 232,100 18,112 16,450	£ 202,100 15,671 15,665	£ 196,300 14,300 15,780	£ 262,641 17,990 18,710	£ 384,164 28,450 30,390	£ 367,420 27,134 24,690
Transfers from Post Office Receipts (for Adhesive Stamps on Deeds, &c.) ..	£ 35,100 1,700 1,600	£ 35,820 1,700 1,600	£ 36,540 1,700 1,600	£ 37,260 1,700 1,600	£ 37,980 1,700 1,600	£ 38,700 1,700 1,600	£ 39,420 1,700 1,600	£ 40,140 1,700 1,600	£ 40,860 1,700 1,600	£ 41,580 1,700 1,600	£ 42,300 1,700 1,600
Solicitors' and Conveyancers' Certificates ..	£ 113,644 22,497 10,811	£ 113,122 22,388 10,706	£ 113,470 22,256 10,754	£ 113,453 22,238 10,786	£ 108,562 21,487 10,320	£ 103,523 20,757 10,016	£ 99,894 20,051 9,673	£ 96,770 19,804 9,944	£ 97,719 19,626 9,815	£ 103,452 20,564 10,017	£ 101,833 20,586 9,933
Bankers' Licences ..	£ 2,910 21,030 870	£ 2,910 21,030 870	£ 2,370 21,030 870	£ 2,070 21,000 870	£ 1,620 20,880 870	£ 1,590 20,940 870	£ 1,440 20,850 870	£ 1,390 20,730 870	£ 1,390 20,700 870	£ 930 21,420 870	£ 630 21,560 870
Certificates of Registration of Alkali and other Works ..	£ 3,870 612 188	£ 3,891 598 191	£ 3,982 432 185	£ 4,002 532 203	£ 3,989 538 203	£ 897 451 206	£ 17,755 601 194	£ 4,048 523 197	£ 4,152 517 191	£ 4,143 701 188	£ 3,970 506 173
Penalties ..	£ 5,940 403 503	£ 5,777 345 527	£ 5,363 424 487	£ 5,195 309 450	£ 4,697 1,058 512	£ 4,763 334 513	£ 5,107 464 427	£ 5,060 278 484	£ 5,638 343 453	£ 8,961 536 634	£ 9,853 703 752

TABLE 42.—NUMBERS OF JOINT STOCK COMPANIES REGISTERED.

Year ended 31st March.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
1910-11	6,517	350	119	6,986
1911-12	6,151	367	149	6,667
1912-13	6,854	393	142	7,389
1913-14	6,911	470	168	7,549
1914-15	4,859	288	101	5,248
1915-16	3,643	215	101	3,959
1916-17	3,507	256	108	3,871
1917-18	3,027	205	114	3,346
1918-19	3,953	260	126	4,339
1919-20	12,003	807	269	13,079
1920-21	7,975	579	182	8,736

TABLE 43.—NUMBERS OF LIMITED PARTNERSHIPS REGISTERED.

Year ended 31st March.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
1910-11	90	5	—	95
1911-12	73	6	1	80
1912-13	75	5	1	81
1913-14	55	4	—	59
1914-15	38	4	—	42
1915-16	49	2	—	51
1916-17	39	—	2	41
1917-18	20	—	1	21
1918-19	34	1	—	35
1919-20	50	4	—	54
1920-21	47	1	—	48

TABLE 44.—NUMBERS OF SOLICITORS' AND CONVEYANCERS' CERTIFICATES ISSUED.

Year ended 31st March.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
1910-11	16,841	3,412	1,602	21,855
1911-12	16,739	3,397	1,592	21,728
1912-13	16,759	3,383	1,606	21,748
1913-14	16,739	3,363	1,625	21,727
1914-15	15,887	3,228	1,537	20,652
1915-16	14,988	3,107	1,500	19,595
1916-17	14,362	2,977	1,449	18,788
1917-18	13,846	2,930	1,481	18,257
1918-19	14,040	2,904	1,460	18,404
1919-20	15,063	3,090	1,494	19,647
1920-21	15,205	3,125	1,480	19,810

TABLE 45.—OTHER STATISTICS RELATING TO STAMP REVENUE IN THE YEAR ENDED 31ST MARCH, 1921.

	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	No.	No.	No.	No.
Bankers' Licences issued ..	21	732	20	773
Certificates of Registration of Alkali and other Works issued	1,291	164	57	1,512
Instruments presented for Adjudication	25,056	4,115	14,300*	43,471

* Approximate.

TABLE 46.—NET RECEIPT OF FEES COLLECTED BY MEANS OF STAMPS.

YEARS ENDED 31ST MARCH.

	1910-11.	1911-12.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.
FEES STAMPS:—											
Bankruptcy Court (Ireland)	2,101	2,039	1,913	1,821	1,846	1,692	1,620	1,463	1,177	647	969
Civil Service Commission	20,408	20,347	23,634	23,667	23,409	13,999	10,717	9,883	8,322	17,014	26,521
Colonial Stock Act	50	35	70	110	65	40	10	30	21	34	20
Companies Registration	101,783	93,030	98,939	101,353	76,821	64,376	54,889	61,062	82,428	224,096	156,212
County Courts (Ireland)	18,488	17,014	16,844	16,142	14,563	14,012	12,708	11,552	8,908	6,958	8,544
Crofters' Commission (Scotland)	33	61	124	—	—	—	—	—	—	—	—
District Audit (England)	59,245	58,466	60,819	60,186	61,969	62,792	55,838	56,005	59,269	84,403	90,328
Edinburgh Gazette	3,052	3,151	3,162	3,162	2,523	2,092	1,672	1,604	1,577	2,028	2,251
Judgments Registry Fund (Ireland)	1,581	1,800	1,861	1,447	1,206	1,187	1,044	998	786	863	1,259
Judgments Registry Fund (Ireland)	386,086	361,006	357,800	367,072	347,381	353,992	347,319	329,311	345,570	427,283	470,092
Money Lenders Registration	34,853	34,051	33,805	33,409	34,266	36,030	36,211	37,827	37,843	40,315	39,140
Notaries (Ireland)	1,684	1,715	1,535	1,547	1,503	1,052	722	726	607	687	418
Land Commission (Ireland)	49,204	51,015	52,210	51,403	46,970	35,875	27,500	30,040	46,404	128,983	165,060
Land Registry (England)†	4,125	4,879	6,551	7,385	6,289	8,179	9,475	13,783	17,883	22,466	23,931
Land Registry (Ireland)	15,888	14,861	13,651	12,958	11,437	11,049	9,750	9,852	12,276	13,687	16,576
Law Courts (Scotland)	5,887	5,364	5,214	5,191	4,244	3,758	2,532	2,069	1,433	1,868	3,052
London Gazette	468	385	413	437	382	379	415	436	446	438	470
Lunacy Fee Fund (Ireland)	2,344	2,594	2,894	2,138	2,479**	2,028	1,756	1,680	1,396	1,361	2,111
Money Lenders Registration	232	232	215	218	207	207	195	172	169	181	157
Newspaper Registration	—	—	—	—	—	—	—	—	—	—	—
Official Arbitration (Land)	530	646	590	553	444	268	286	295	247	58	5400
Public Record (England)	2,135	1,709	1,547	1,478	1,231	1,031	890	1,096	926	1,116	563
Public Record (Ireland)	407	721	818	194	518	179	157	100	74	77	962
Railway Commission	43,549	43,511	42,445	41,901	38,713	38,105	37,535	31,149	34,629	56,639	61,408
Register House (Scotland)	13,461	12,449	12,599	12,666	10,729	10,096	10,304	13,093	14,008	19,397	21,018
Registration of Deeds (Ireland)	—	—	—	—	—	—	—	—	—	—	—
Registration of Deeds (Ireland)	1,974††	—	181	701	416	216	130	86	58	117	165
Register House (Scotland)	—	—	—	—	—	—	—	—	—	—	—
Scottish Land Court	—	—	—	—	—	—	—	—	—	—	—
TOTAL, FEE STAMPS	741,508	780,761	786,432	745,864	686,441**	662,544	618,767	614,449	674,681	1,061,779	1,066,616
PATENTS FOR INVENTIONS, DESIGNS AND TRADE MARKS	304,127	306,366	324,516	335,349	294,919	275,297	290,718	323,577	339,382	404,647	513,778
TOTAL OF FEE AND PATENT STAMPS*	1,045,635	1,087,127	1,066,948	1,084,208	984,360**	937,841	909,486	938,026	1,013,618	1,466,426	1,580,394
OTHER RECEIPTS COLLECTED BY MEANS OF STAMPT:—											
Bankruptcy Court (England)	49,236	48,891	46,617	44,977	33,870	28,759	20,993	16,980	15,106	19,336	37,005
Companies Winding Up	2,798	3,127	3,500	3,086	2,906	2,152	1,812	1,373	1,484	1,787	2,435
Police Courts (Metropolis)	9,184	9,409	9,495	9,718	8,820	6,211	5,550	9,170	10,286	12,947	13,090
Registration of Title Insurance Fund (Ireland)	592	2,242	—	—	—	—	—	—	—	—	—
TOTAL	61,610	63,669	68,612	87,791	48,596	40,122	31,356	27,503	26,866	34,070	68,530

* These receipts are treated in the Finance Accounts as Miscellaneous Revenue.

† These receipts are paid over direct to the Departments concerned.

†† After payments to the Land Registry Insurance Fund as follows: 1910-11, £2,569;

1911-12, £2,072; 1912-13, £3,782; 1913-14, £5,130; 1914-15, nil.

‡ Bankruptcy Commission for Year 1911-12. The Crofters' Commission was merged in the

§ On and after 1st September, 1910, these receipts are accounted for under "Land

Registry (Ireland)."

¶ After payments to the Registration of Title Insurance Fund (Ireland) of £895 for

1911-12; £1,802 for 1912-13; £1,802 for 1913-14; £1,692 for 1914-15; £498 for

1915-16; £1,500 for 1916-17; £1,500 for 1917-18; £1,500 for 1918-19; £1,500 for

LAND TAX—GREAT BRITAIN.

(The Tax does not extend to Ireland.)

The aggregate of the Unredeemed Quotas on the 25th March, 1921, was	£ 911,583
<i>Add:</i>	
Amount of Land Tax collectible for broken periods in cases where redemptions were effected during the year 1920-21	541
	£912,124
<i>Deduct amounts remitted in the year 1920-21:</i>	
Under Section 31 (1) of Finance Act, 1896, whereby the Tax is limited to 1s. in the £ on the Income Tax (Schedule A) annual values. Estimated amount ..	£ 88,623
Under Section 12 (1) of Finance Act, 1898:—	
(a) Incomes of owners not exceeding £160 per annum—remission of entire amount charged. Estimated amount of Land Tax remitted	£ 107,266
(b) Incomes of owners exceeding £160 but not exceeding £400 per annum—remission of one half of amount charged. Estimated amount of Land Tax remitted	37,135
	144,401
Amount written off as being charged on Government Property	2,908
	235,932
Approximate amount collectible for the year 1920-21	£676,192

The aggregate of the quotas of Land Tax for Great Britain as fixed in 1798 was £1,905,077, which amount has been reduced by redemptions and application of surplus to £911,583. The number of parishes in England and Wales contributing to the Land Tax in 1798 was 16,104, and of these the quotas of 1,090 have since been extinguished. The number of contracts of redemption in 1920-21 was 1,249, and the amount of Land Tax redeemed by contracts and by application of surplus £2,527. The consideration money paid upon the contracts was £49,027, and the surplus applied in redemption £26,794.

TABLE 47.—BUDGET ESTIMATES, AMOUNTS PAID INTO THE EXCHEQUER, AND NET RECEIPT OF LAND TAX.

Year ended 31st March.	Budget Estimate of the Amount Receivable by the Exchequer.	Amount paid into the Exchequer in the Year.	Net Receipt.*		
			ENGLAND.	SCOTLAND.	GREAT BRITAIN.
1910-11 ..	£ 1,250,000†	£ 1,220,000†	£ 1,174,858†	£ 34,790†	£ 1,209,648†
1911-12 ..	700,000	750,000	715,468	31,909	747,377
1912-13 ..	700,000	700,000	654,690	32,483	687,173
1913-14 ..	700,000	700,000	657,848	32,159	690,007
1914-15 ..	700,000	630,000	629,134	32,242	661,376
1915-16 ..	660,000	660,000	647,674	32,123	679,797
1916-17 ..	660,000	640,000	621,117	32,363	653,480
1917-18 ..	650,000	665,000	650,181	32,556	682,737
1918-19 ..	650,000	630,000	610,518	32,242	642,760
1919-20 ..	600,000	680,000	638,608	32,592	671,200
1920-21 ..	600,000	650,000	618,967	30,849	649,816

* The Net Receipt of Land Tax as shown in the above Table includes the Surplus Land Tax received during the year, less the amount paid over as surplus to the National Debt Commissioners.

† Abnormal amounts due to the conditions which prevailed owing to the delay in the passing of the Finance Bill for 1909-10.

TABLE 48.—NUMBERS OF CONTRACTS MADE, AMOUNTS OF LAND TAX REDEEMED, CONSIDERATION MONEY PAID, AND AMOUNTS OF SURPLUS LAND TAX APPLIED IN REDEMPTION.—GREAT BRITAIN.

Year.	Number of Contracts made.	Amount of Land Tax Redeemed.			Consider- ation Money Paid on Contracts.	Amount of Surplus Land Tax applied in Re- demption.
		By Con- tracts of Re- demption.	By the Appli- cation of Surplus Land Tax.	Total.		
1910-11 ..	1,694	£ 2,757	£ 1,192	£ 3,949	£ 83,966	£ 35,760
1911-12 ..	1,792	2,595	1,769	4,364	76,684	53,070
1912-13 ..	1,933	2,982	1,148	4,130	85,279	34,440
1913-14 ..	1,981	2,722	1,140	3,862	80,078	34,200
1914-15 ..	1,548	2,501	1,126	3,627	75,030	33,780
1915-16 ..	951	1,675	1,113	2,788	50,250	33,390
1916-17 ..	523	803	875	1,678	24,090	26,250
1917-18 ..	396	675	779	1,454	20,257	23,372
1918-19 ..	330	469	1,731	2,200	14,080	51,920
1919-20 ..	666	1,564	787	2,351	46,902	23,610
1920-21 ..	1,249	1,634	893	2,527	49,027	26,794

INHABITED HOUSE DUTY—GREAT BRITAIN.

(The duty does not extend to Ireland.)

TABLE 49.—RATES OF INHABITED HOUSE DUTY IN FORCE
SINCE 1890.

Class of Premises.	Duty charged for each £1 of the Annual Value where the Annual Value of the House :—		
	Amounts to £20, but does not exceed £40.	Exceeds £40, but does not exceed £60.	Exceeds £60.
Dwelling House of £20 annual value or more :			
(a) Private Dwelling House (Other than those described under heads (b), (c), (d) or (e).)	3d.	6d.	9d.
(b) Residential Shop (i.e., a Dwelling House occupied by any person in trade who exposes to sale and sells any goods, wares or merchandise in any shop or warehouse being part of the same dwelling house, and in the front and on the ground or basement story thereof.)	2d.	4d.	6d.
(c) Hotel, Public House, or Coffee House (i.e., a Dwelling House occupied by any person duly licensed to sell therein by retail beer, ale, wine or other liquors although the room or rooms thereof in which any such liquors shall be exposed to sale, sold, drunk or consumed are not such shop or warehouse as referred to under (b). Or a dwell- ing house occupied by any person who carries on therein the business of an hotel-keeper or an innkeeper or coffee-house keeper although not licensed to sell therein by retail beer, ale, wine or other liquors.)	2d.	4d.	6d.
(d) Farmhouse (i.e., a Dwelling House being a farm- house occupied by a tenant or farm servant, and <i>bona fide</i> used for the purpose of husbandry only.)	2d.	4d.	6d.
(e) Lodging House (i.e., a Dwelling House occupied by a person for the main purpose of letting furnished lodgings therein as a means of livelihood.)	2d.	4d.	6d.

1. The duty, which is imposed in terms upon inhabited dwelling houses, includes certain other premises which are not dwelling houses in the ordinary sense of the term, *e.g.*, chambers or apartments in the Inns of Court or in colleges or halls in the Universities. In charging the duty, all offices, yards and gardens, not exceeding one acre in extent, belonging to and occupied with the dwelling house, are valued together therewith. Shops and warehouses which are attached to the dwelling house or have any communication therewith are valued with the dwelling house. A house let in different storeys, tenements, lodgings or landings, and inhabited by two or more persons or families, is ordinarily the subject of one assessment only, but in certain cases a house providing separate dwellings may be the subject of a separate assessment in respect of each dwelling of an annual value not exceeding £60.

2. Annual value for the purposes of Inhabited House Duty is determined periodically, and the value thus fixed is continued, subject to the qualifications stated below, during the intervening years. In the administrative county of London, annual value follows the valuation made quinquennially under the Metropolis (Valuation) Act, 1869. In that area new assessments were made in 1916 and 1921. In the Rest of Great Britain, owing to the pressure of work caused by the war, no general reassessment has been made since 1910. In both areas, the annual value fixed at the periodic date is subject to increase in the case of structural alterations to a property or for some other specific cause, and new properties are brought into assessment at their appropriate annual values. Reductions of annual value are made, in certain cases, on proof that the annual value has diminished.

3. In the following statistical tables we are able to give a limited amount of information as respects (i) private dwelling houses and (ii) all premises charged to Inhabited House Duty. Comparative figures, so far as available, for the preceding nine years are shown therein. We are unable, owing to the suspension of statistical work, to state the numbers of assessments, or to furnish full details of the classification of annual value.

4. No information is available for the years from 1915-16 to date as respects the numbers of assessments and the annual value of residential shops, hotels, public houses, coffee houses, farm-houses and lodging houses. The latest information in this respect is contained in our Fifty-eighth and Fifty-ninth Reports.

5. Owing to the delay in passing the Finance Bill for the year 1909-10 the figures in the Tables representing numbers and annual values of premises and Net Produce of duty are somewhat higher for 1910-11 than they would have been in normal circumstances. The disturbance in the case of the Net Receipt of duty, Payments into the Exchequer and Budget Estimate for 1910-11 is very marked, owing to the great delay in the collection of the duty for 1909-10.

TABLE 50.—BUDGET ESTIMATES, AMOUNTS PAID INTO THE EXCHEQUER, NET RECEIPT AND NET PRODUCE OF THE INHABITED HOUSE DUTY.

Year ended 31st March.	Budget Estimate of the Amount Receivable by the Exchequer.	Amount Paid into the Exchequer in the Year.	Net Receipt.			Net Produce.
			ENGLAND.	SCOTLAND.	GREAT BRITAIN.	
	£	£	£	£	£	£
1910-11*	3,380,000	3,080,000	3,058,871	153,155	3,212,026	1,962,909
1911-12	2,000,000	2,130,000	1,980,202	129,675	2,109,877	1,952,560
1912-13	2,000,000	2,000,000	1,826,257	129,630	1,955,887	1,957,482
1913-14	2,000,000	2,000,000	1,863,556	130,844	1,994,400	1,966,987
1914-15	2,000,000	1,930,000	1,757,531	129,161	1,886,692	1,970,094
1915-16	1,990,000	1,990,000	1,841,162	133,906	1,975,068	1,949,831
1916-17	1,990,000	1,940,000	1,756,666	131,127	1,887,793	1,920,301
1917-18	1,950,000	1,960,000	1,810,001	131,395	1,941,396	1,905,500
1918-19	1,950,000	1,850,000	1,731,163	128,363	1,859,526	1,912,510
1919-20	1,900,000	1,960,000	1,801,692	133,721	1,935,413	1,933,898
1920-21	1,900,000	1,900,000	1,826,144	129,542	1,955,686	Not available.

* See para. 5 above.

TABLE 51.—DETAILS OF THE ASSESSMENTS TO THE INHABITED HOUSE DUTY MADE IN THE YEAR 1919-20.†

	ENGLAND.	SCOTLAND.	GREAT BRITAIN.
	£	£	£
Annual Value of Houses, &c., assessed—			
Private Dwelling Houses‡ of an Annual Value of :—			
£20 and not exceeding £40	29,965,207	2,834,804	32,800,011
Exceeding £40 " " " £60	10,510,860	1,107,417	11,618,277
" £60	22,780,182	1,671,662	24,451,844
Total	63,256,249	5,613,883	68,870,132
Other than Private Dwelling Houses—			
Annual Value :—			
£20 and not exceeding £40	7,593,655	227,294	7,820,949
Exceeding £40 " " " £60	3,947,926	73,396	4,021,312
" £60	11,661,994	270,341	11,932,335
Total	23,203,575	571,021	23,774,596
Total Annual Value of Houses assessed	86,459,824	6,184,904	92,644,728
Net Produce§ of Duty—			
Private Dwelling Houses‡ of an Annual Value of :—			
£20 and not exceeding £40	352,515	35,050	387,565
Exceeding £40 " " " £60	247,305	27,385	274,690
" £60	803,980	62,008	865,988
Total	1,403,800	124,443	1,528,243
Other than Private Dwelling Houses—			
Annual Value :—			
£20 and not exceeding £40	59,556	1,874	61,430
Exceeding £40 " " " £60	61,925	1,210	63,135
" £60	274,404	6,686	281,090
Total	395,885	9,770	405,655
¶ Total Net Produce of Duty ..	1,799,685	134,213	1,933,898

† The latest year for which statistics are available.

‡ Including "Separate Dwellings." (54 & 55 Vict. c. 25, s. 4, and 3 Edw. VII., c. 46, s. 11.)

§ This is the total ultimate yield of the assessments made in 1919-20 whether actually collected in that year or later.

¶ The distribution of the total is approximate; actual figures are not available.

NOTE.—Separate figures for the Metropolis are not available, nor are statistics as to the numbers of houses assessed.

PRIVATE DWELLING HOUSES.

TABLE 52.—NUMBERS AND ANNUAL VALUES CHARGED TO THE INHABITED HOUSE DUTY.

NUMBERS.					
YEAR.	METROPOLIS	REST OF ENGLAND.	TOTAL ENGLAND.	SCOTLAND.	GREAT BRITAIN.
1910-11† ..	435,815	968,303	1,404,118	128,444	1,532,562
1911-12 ..	430,723	984,006	1,414,729	130,203	1,544,932
1912-13 ..	431,861	995,086	1,426,947	131,764	1,558,711
1913-14 ..	429,413	1,011,214	1,440,627	133,623	1,574,250
1914-15 ..	429,417	1,025,783	1,455,200	136,917	1,592,117
1915-16 ..	} Not available.				
1916-17 ..					
1917-18 ..					
1918-19 ..					
1919-20 ..					

ANNUAL VALUES.					
YEAR.	METROPOLIS	REST OF ENGLAND.	TOTAL ENGLAND.	SCOTLAND.	GREAT BRITAIN.
1910-11† ..	£ 22,835,521	£ 40,572,280	£ 63,407,801	£ 5,353,697	£ 68,761,498
1911-12 ..	22,348,500	41,060,222	63,408,722	5,374,905	68,783,627
1912-13 ..	22,214,704	41,291,238	63,505,942	5,383,948	68,889,890
1913-14 ..	22,030,567	41,851,621	63,882,188	5,428,628	69,310,816
1914-15 ..	21,856,741	42,191,674	64,048,415	5,518,391	69,566,806
1915-16 ..	} Not available.		64,075,420	5,570,698	69,646,118
1916-17 ..			63,886,770	5,522,750	69,409,520
1917-18 ..			63,148,800	5,535,355	68,684,155
1918-19 ..			63,246,222	5,538,895	68,785,117
1919-20 ..			63,256,249	5,613,883	68,870,132

CLASSIFICATION—GREAT BRITAIN.

Year.	Class of Annual Value.			Total Annual Value.
	£20 and under £41.*	£41 and under £61.*	£61 and upwards.	
1910-11†	£ 30,698,036	£ 11,825,312	£ 26,238,150	£ 68,761,498
1911-12.. ..	31,152,490	11,686,924	25,944,213	68,783,627
1912-13.. ..	31,525,358	11,662,741	25,701,791	68,889,890
1913-14.. ..	31,945,761	11,669,605	25,695,450	69,310,816
1914-15.. ..	32,390,898	11,682,068	25,493,840	69,566,806
1915-16.. ..	32,808,200	11,700,960	25,136,958	69,646,118
1916-17.. ..	32,845,739	11,609,121	24,954,660	69,409,520
1917-18.. ..	32,506,278	11,506,474	24,671,403	68,684,155
1918-19.. ..	32,776,505	11,616,721	24,391,891	68,785,117
1919-20.. ..	32,800,011	11,618,277	24,451,844	68,870,132

NOTE.—Statistics as to Numbers and more detailed classification in ranges of annual value for the years 1910-11 to 1914-15, are given in our last Report.

* Including "Separate Dwellings." (54 & 55 Vict. c. 25, s. 4, and 3 Edw. VII. c. 46, s. 11.)

† See para. 5 on page 75.

ALL PREMISES CHARGED TO INHABITED HOUSE DUTY.

TABLE 53.—NUMBERS AND ANNUAL VALUES OF PREMISES.

NUMBERS.

YEAR.	METROPOLIS	REST OF ENGLAND.	TOTAL ENGLAND.	SCOTLAND.	GREAT BRITAIN.
1910-11†	504,453	1,352,254	1,856,707	141,187	1,997,894
1911-12	498,235	1,367,537	1,865,772	142,797	2,008,569
1912-13	498,981	1,374,944	1,873,925	144,221	2,018,146
1913-14	495,544	1,390,139	1,885,683	145,947	2,031,630
1914-15	494,559	1,403,033	1,897,592	149,196	2,046,788
1915-16					
1916-17					
1917-18					
1918-19					
1919-20					

ANNUAL VALUES.

YEAR.	METROPOLIS	REST OF ENGLAND.	TOTAL ENGLAND.	SCOTLAND.	GREAT BRITAIN.
1910-11†	£ 30,071,672	£ 60,063,230	£ 90,134,902	£ 6,025,880	£ 96,160,782
1911-12	29,071,065	60,040,077	89,111,142	6,030,238	95,141,380
1912-13	28,777,101	59,853,342	88,630,443	6,026,863	94,657,306
1913-14	28,450,456	60,316,667	88,767,123	6,065,439	94,832,562
1914-15	28,190,318	60,500,101	88,690,419	6,153,548	94,843,967
1915-16			88,518,990	6,198,895	94,717,885
1916-17			87,834,490	6,133,424	93,967,914
1917-18			86,734,000	6,128,013	92,862,013
1918-19			86,535,677	6,109,600	92,645,277
1919-20			86,459,824	6,184,904	92,644,728

CLASSIFICATION—GREAT BRITAIN.

Year.	Class of Annual Value.			Total Annual Value.
	£20 and under £41.*	£41 and under £61.*	£61 and upwards.	
1910-11†	£ 38,638,027	£ 16,234,052	£ 41,288,703	£ 96,160,782
1911-12	39,139,766	16,033,245	39,968,369	95,141,380
1912-13	39,498,460	15,969,242	39,189,604	94,657,306
1913-14	39,921,235	15,940,566	38,970,761	94,832,562
1914-15	40,361,107	15,901,236	38,581,624	94,843,967
1915-16	40,775,998	15,884,876	38,057,011	94,717,885
1916-17	40,847,920	15,740,691	37,379,303	93,967,914
1917-18	40,405,870	15,576,567	36,879,576	92,862,013
1918-19	40,627,803	15,667,022	36,350,452	92,645,277
1919-20	40,620,960	15,639,589	36,384,179	92,644,728

NOTE.—Statistics as to Numbers and more detailed classification in ranges for the years 1910-11 to 1914-15, are given in our last Report.

* Including "Separate Dwellings." (54 & 55 Vict. c. 25, s. 4, and 3 Edw. VII. c. 46, s. 11.)

† See para. 5 on page 75.

INCOME TAX.

1. The present Report relates to the year 1920-21, ended on the 31st March, 1921. The amount of Income Tax received in that year is shown on page 94, but particulars of the assessments made are not yet available. Details of the assessments made in the year 1919-20 appear in the following pages, but, owing to the continuance of the pressure of work upon H.M. Inspectors of Taxes, it is not yet possible to present income tax statistics in the detail that was usual before the war. We have, however, been able to collect certain information as to the number and description of new buildings in Great Britain brought into assessment to Income Tax, Schedule A, for the first time in the year 1919-20; this is shown in Table 71. It is proposed to continue the collection of these particulars, except for any year in which a general re-assessment is made. Similar information is not available for Ireland.

2. At the request of the Royal Commission on the Income Tax, an estimate was prepared showing for the year 1918-19 the approximate distribution of the estimated amounts of taxable income, allowances, etc., among taxpayers, classified according to the amounts of their total income, together with the estimated number of incomes in each class, and the tax paid by each class. This estimate, which was presented to Parliament and published as Cmd. 224 of 1919, was brought into final form in our last Report (Cmd. 1083). In the present Report, we include a similar estimated Table of Distribution of Incomes for the year 1919-20. In view of the public interest taken in these particular statistics of income, it is desirable to point out that owing to the changes in the law effected by the Finance Act, 1920, as set out below, the preparation of a similar table for the year 1920-21 and subsequent years will not be possible from the statistical information now being collected; in the altered circumstances the necessary material could only be procured by incurring additional expenditure upon staff and machinery, a course which is not likely to be feasible for some years to come.

3. In this and previous Reports, the gross income brought under the review of the Department under Schedule D, including the main profits of industry and commerce, has been analysed in a minor degree only; for instance, we are unable to give any details as to the sources of £901,079,406 of income from trades, professions, etc., shown in Table 79 of this report. The greater fluctuations which such profits are now showing from year to year have led us to take steps to secure an analysis, by reference to a broad grouping of industries, etc., of the assessments on such profits made in the year 1920-21, and the results of that analysis will be included in our next report.

THE FINANCE ACT, 1920

4. The Finance Act, 1920 (adopting certain recommendations of the Royal Commission on the Income Tax, Cmd. 615), brought into operation for the year of assessment 1920-21 a radical

alteration of the method hitherto in force for granting relief in the Income Tax charged on earned income (usually referred to as differentiation), and of the method of graduating the burden of the tax according to the size of a taxpayer's income and his family responsibilities.

5. For some years up to and including the year of assessment 1919-20, an individual was entitled to total exemption from tax where his income did not exceed £130. The tax on incomes exceeding that amount was graduated by deducting from the income certain fixed allowances for abatement, wife, housekeeper, children and dependent relatives, and by charging the tax on the residue of the income at rates determined by the size of the income. Differentiation was effected, where the total income did not exceed £2,500, by charging earned income at lower rates than unearned income. The fixed allowances referred to were deducted so far as possible from the earned portion of the income.

6. In introducing the new system, the Finance Act 1920 employs two terms not previously used in Income Tax law, viz. :— "assessable income" and "taxable income." The latter expression has, however, been used in our Reports, and the following notes upon the meanings to be ascribed to various expressions used in the exposition of the new system are necessary.

Gross Income means the gross income brought under review of the Department (including certain income belonging to exempt persons), before adjustments are made in respect of repairs, empty property, wear and tear of machinery, overcharges in the original assessments, etc. This term will retain in our Reports its previous meaning.

Actual Income means the statutory income of the taxpayer, estimated in accordance with the provisions of the Income Tax Acts, after deduction of the income of individuals below the effective exemption limit (see paragraph 9), and of the adjustments referred to under the definition of Gross Income. For this income we have previously used the expression "taxable income."

Earned Income is defined fully in section 14 (3) of the Income Tax Act, 1918, and may be broadly described here as income immediately derived by an individual from the carrying on or exercise by him of his trade, profession, vocation or employment.

Investment Income replaces the previous expression "unearned income," and means all income other than "earned income."

Assessable Income is a new expression introduced by the Finance Act, 1920, and means the actual income less the earned income allowance.

Taxable Income is also an expression introduced into the law by the Finance Act, 1920, to denote that part of the assessable income upon which Income Tax is actually calculated. It is thus the assessable income less the personal allowances and deductions provided by the Finance Act, 1920. This expression corresponds approximately with the expression "Income on which tax was received" used in this and previous Reports.

7. Under the new provisions of the law, the amount of tax payable by any individual taxpayer is determined as follows. The actual income computed in accordance with the Income Tax Acts having been ascertained, the assessable income is arrived at by deducting from the actual income the amount of any earned income allowance due. The differentiation in favour of earned income is made, not as heretofore by reducing the rate of tax chargeable upon such income as compared with investment income, but by deducting one-tenth of the earned income. This deduction is given irrespective of the amount of the taxpayer's actual income, but it is not to exceed £200 for any one individual. From the assessable income there is then deducted the aggregate of the various personal allowances and deductions to which the taxpayer is entitled, and the balance constitutes the taxable income. Tax is calculated upon the taxable income; the first £225 of the taxable income of an individual is charged at half the standard rate of tax, and the remainder of the taxable income is charged at the standard rate of tax. From the amount of tax so arrived at, there remains to be deducted any relief due in respect of (a) premiums paid for life insurance or for contracts for deferred annuities, and (b) Dominion Income Tax. The balance represents the amount of tax payable.

8. The following tabular statement will make clear the various stages of calculation of liability of an individual taxpayer, under the provisions in force for 1919-20 and 1920-21 respectively, viz. :—

1919-20.	1920-21.
Gross Income (brought under Review),	Gross Income (brought under Review),
<i>less</i>	<i>less</i>
Exemptions, Expenses, Overcharges, &c.	Exemptions (see para. 9), Expenses, Overcharges, &c.
Taxable Income.	Actual Income, <i>less</i> Earned Income Allowance.
Assessable Income.	Assessable Income.
Deduct, in terms of taxable income :—	Deduct, in terms of assessable income :—
Abatement of £120, £100 or £70 according to the amount of the taxable income.	Personal allowance £225 or £135.
Allowance for wife.	Increased Personal Allowance where wife has earned income.
Allowance for housekeeper.	Deduction for housekeeper.
Allowance for children.	Deduction for first child.
Allowance for dependent relatives.	Deduction for other children.
Allowance for life insurance.	Deduction for dependent relatives.
Income on which tax was received.	Taxable Income.
Charge tax on this income at the appropriate rates applicable, by reference to the amount of the taxable income, to earned income and unearned income.	Charge tax on £225 at half standard rate, and tax on remainder of taxable income at standard rate.
Deduct tax at the allowable rate in respect of Dominion Income Tax relief.	Deduct tax at the allowable rate on life insurance premiums and in respect of Dominion Income Tax relief.
Tax Payable=Net Produce.	Tax Payable=Net Produce.

9. Up to 1919-20, the Income Tax Acts expressly provided that where the income did not exceed a fixed amount (£130 for 1919-20), the taxpayer should be entitled to exemption. The Finance Act, 1920, does not use the term "exemption." It provides instead for personal allowances and deductions which are set against the assessable income; where the total allowances and deductions due are equal to or exceed the assessable income, no tax is payable. The amount of actual income exhausted by these allowances and deductions thus depends upon the nature of the actual income. For instance, the personal allowance of £135 assessable income (*see below*) is equal to £135 of investment income, or to £150 of earned income. The effective new limit of exemption will be treated in our Reports as lying between £135 and £150, according to the proportions in which the actual income consists of earned and investment income.

10. The personal allowances and deductions to be subtracted from the assessable income in order to ascertain the taxable income are as follows for the year 1920-21. (These allowances and deductions are due irrespective of the amount of the individual taxpayer's total actual income.)

PERSONAL ALLOWANCE.

A Personal Allowance may be claimed of £135, or in the case of an individual whose wife is living with him, £225.

The extended allowance of £225 applies also in the case of a taxpayer who proves that his wife is wholly maintained by him but is not living with him, and that he is not entitled to make any deduction in respect of the sums paid by him for the maintenance of his wife in computing his income for the purposes of Income Tax.

WIFE'S EARNED INCOME.

Where a taxpayer's total income includes any earned income of his wife, the personal allowance of £225 is to be increased by a sum equal to nine-tenths of the amount of such earned income, subject to a maximum additional allowance of £45.

DEDUCTION FOR A WIDOWER'S (OR WIDOW'S) HOUSEKEEPER TAKING CHARGE OF CHILDREN.

A deduction of £45 may be claimed, under certain conditions, by (a) a *Widower* who has living with him a female relative* of his or of his deceased wife for the purpose of having the charge and care of any child or adopted child of his in respect of whom the deduction for children (*see below*) is given, or (b) a *Widow* who has a female relative* of hers or of her deceased husband resident with her for the like purpose.†

If the Widower or Widow proves that he or she has no such female relative* who is able or willing to take such charge, the same deduction may be claimed in respect of some other female person employed for that purpose.

DEDUCTION IN RESPECT OF WIDOWED MOTHER, &C., TAKING CHARGE OF CHILDREN.

A deduction of £45 may be claimed, under certain conditions, by an *unmarried Person* who has living with him and maintains at his own expense either his mother (being a widow or living apart from her husband) or some other female relative* for the purpose of having the charge and care of any brother or sister of his in respect of whom the deduction for children or adopted children (*see below*) is given.†

* The expression "relative" here includes any person of whom the taxpayer had the custody and whom he maintained at his own expense while that person was under the age of 16 years (*i.e.*, an adopted child).

† The deductions in respect of a female relative, and in respect of an adopted child, are conditional upon proof being given that no other individual is entitled to any deduction for Income Tax in respect of such female relative or adopted child, or, if any other individual is so entitled, that such individual has relinquished his or her claim to the deduction.

DEDUCTION FOR CHILDREN.

A deduction may be claimed in respect of each child, step-child or adopted child living on 6th April, 1920, who was under the age of 16 years on that date, or who, if over that age, is receiving full-time instruction at any university, college, school, or other educational establishment. The deduction allowable is £36 in respect of one child, and £27 in respect of each additional child for whom the relief is due.†

No deduction is, however, allowed in respect of any child or adopted child who is entitled in his or her own right to an income which, after excluding any income to which the child is entitled as the holder of a scholarship, bursary, or other similar educational endowment, exceeds £40 a year.

DEDUCTION IN RESPECT OF DEPENDENT RELATIVES.

A deduction of £25 may be claimed in respect of any person whom the taxpayer maintains at his own expense, and who is (a) a relative* of his or of his wife and incapacitated by old age or infirmity from maintaining himself or herself, or (b) his or his wife's widowed mother, whether incapacitated or not, or (c) a daughter who is resident with the taxpayer, and upon whose services he is compelled to depend, by reason of old age or infirmity.

The deduction under (a) or (b) is conditional, however, upon the income of the dependent relative not exceeding £50 a year.

The deduction applies in the case of a female taxpayer, with the substitution of "husband" for "wife" above.

Where two or more persons jointly maintain a dependent relative as above, the deduction is to be apportioned between them in proportion to the amount or value of their respective contributions.

11. As stated above (paragraph 7), where allowance is due in respect of premiums paid for life insurance or for contracts for deferred annuities, it is calculated in terms of tax; for 1920-21 the rates at which it is calculated are as follows:

	Policies or Contracts effected	
	on or before 22nd June, 1916.	after 22nd June, 1916.
Where the total income does not exceed £1,000	3s. in £	3s. in £
Where the total income exceeds £1,000, but does not exceed £2,000	4s. 6d. in £	3s. in £
Where the total income exceeds £2,000	6s. in £	3s. in £

Where, after deducting the allowance so calculated, the tax ultimately payable on the *total income* of a taxpayer would be greater than that payable if the income had just exceeded £1,000 or £2,000 as the case may be, such allowance is to be increased by

- (a) a sum equal to 1s. 6d. in the £ on the amount of the premiums in respect of which relief is granted, less
- (b) a sum equal to 6s. in the £ on the amount by which the total income falls short of £1,000 or £2,000 as the case may be.

* The expression "relative" here includes any person of whom the taxpayer had the custody and whom he maintained at his own expense while that person was under the age of 16 years (i.e., an adopted child).

† The deductions in respect of a female relative, and in respect of an adopted child, are conditional upon proof being given that no other individual is entitled to any deduction for Income Tax in respect of such female relative or adopted child, or, if any other individual is so entitled, that such individual has relinquished his or her claim to the deduction.

The Life Insurance allowance is now extended to apply to the following, as it applies to any other Life Insurance premiums and subject to the same restrictions :

- (a) Premiums which are not annual premiums.
- (b) Premiums paid by a wife out of her separate income in respect of an insurance on her own life or on the life of her husband.
- (c) Any sum which the taxpayer is liable to pay or to have deducted from his salary or stipend for the purpose of securing a deferred annuity to his widow or provision for his children after his death.

12. It will be noticed that (broadly speaking) under the new methods of differentiation and graduation of the Income Tax only two rates of tax are employed in the calculations required to ascertain the amount of tax payable, viz., half the standard rate and the standard rate. The Finance Act, 1920, fixed the standard rate of tax at 6s., the same as the normal rate of tax in force in the two preceding years. Income Tax demand notes for the year 1920-21, therefore, only contained two rates of tax, 3s. and 6s., and misapprehension was apt to arise as to the real effective rate of tax borne by any individual taxpayer. The various allowances, deductions, and rates of tax described above constitute altogether a method of arriving at the tax payable of which the rates of tax employed are only part. The real effective rate of tax borne by any taxpayer can only be ascertained by dividing the total amount of the the tax he ultimately bears by the amount of his total actual income. By this test it will be found that the effect of the new system is to levy a real effective rate of tax which in combination with the Super-tax rises gradually from a fraction of a penny in the pound (on an investment income of £136) up to approximately 12s. in the pound on the highest incomes.

Table 55 is designed to indicate the real effective rate of tax payable upon the individual taxpayer's total income from all sources—as distinguished from the rates (3s. and 6s.) that are applied to portions only of his income. In the case of incomes exceeding £2,000 the effective rates shewn in the table include the Super-tax.

13. The following examples show the practical application of the new scheme of differentiation and graduation, viz. :—

Example 1.—A is a bachelor who earns £200 a year. He has no other income.

		<i>£</i>	<i>s.</i>	<i>d.</i>
A's actual income	=	200	0	0
Deduct Earned Income Allowance (one-tenth)	=	20	0	0
<hr/>				
Assessable income	=	180	0	0
Deduct Personal Allowance	=	135	0	0
<hr/>				
Taxable Income	=	45	0	0
<hr/>				
Tax at 3s. in the £ thereon	=	£6	15	0

Real effective rate of tax in this case slightly over 8d. in the £.

Example 2.—B is a married man with a salary of £500 and no other income. He has three children under 16 years of age.

	£	s.	d.
B's actual income	=	500	0 0
<i>Deduct</i> Earned Income Allowance (one-tenth)	=	50	0 0
Assessable income	=	450	0 0
<i>Deduct—</i>			
Personal Allowance	£225		
Children—For first child	£36		
For two other children	54		
	90		
		315	0 0
Taxable income	=	135	0 0
Tax at 3s. in the £ thereon	=	£20	5 0

Real effective rate of tax in this case nearly 10*d.* in the £.

Example 3.—C's total income consists of a salary of £750 and £100 from War Loan interest, from which Income Tax is not deducted before receipt. He is married, has two children under 16 years of age, maintains his widowed mother, and pays a Life Assurance premium of £20.

	£	s.	d.
C's actual income	=	850	0 0
<i>Deduct</i> Earned Income Allowance (one-tenth of earned income £750)	=	75	0 0
Assessable income	=	775	0 0
<i>Deduct—</i>			
Personal Allowance	£225		
Deduction for one child	36		
" " second child	27		
" " widowed mother	25		
	313	0 0	
Taxable income	=	462	0 0
<i>Tax thereon—</i>			
£225 at 3s. in the £	=	33	15 0
£237 at 6s. in the £	=	71	2 0
		104	17 0
<i>Deduct—</i>			
Allowance of tax for Life Assurance premium, £20 at 3s. in the £	=	3	0 0
Net Tax payable	=	£101	17 0

Real effective rate of tax in this case nearly 2*s.* 5*d.* in the £.

FURTHER PROVISIONS OF THE FINANCE ACT, 1920.

INDIVIDUALS NOT RESIDENT IN THE UNITED KINGDOM.

14. The allowances and deductions referred to in paragraphs 10 and 11 are not given to individuals not resident in the United Kingdom, and the whole of their income liable to United Kingdom Income Tax is chargeable at 6s. in the £, subject to the qualification that these allowances and deductions are due, with certain modifications, where the individual satisfies the Commissioners of Inland Revenue that he or she

- (a) is a British subject ; or
- (b) is a person who is or has been employed in the service of the Crown, or who is employed in the service of any missionary society or of any native state under the protection of His Majesty ; or
- (c) is resident in the Isle of Man or Channel Islands ; or
- (d) has previously resided within the United Kingdom and is resident abroad for the sake of his or her health or the health of a member of his or her family resident with him or her ; or
- (e) is a widow whose late husband was in the service of the Crown.

The effect of these modifications is to charge the income which is subject to tax in the United Kingdom (*i.e.*, broadly speaking, the British income) at the real effective rate which would have been levied if the total income from all sources (*i.e.*, British and non-British income) had been subject to tax in the United Kingdom.

RELIEF IN RESPECT OF DOMINION INCOME TAX.

15. Under Section 43 of the Finance Act, 1916, and subsequently under Section 55 of the Income Tax Act, 1918, as amended by Section 20 of the Finance Act, 1919, any person who had paid United Kingdom Income Tax on any part of his income in respect of which he had also paid Income Tax under the law in force in any British possession or protectorate could claim a measure of relief from the United Kingdom Income Tax.

The relief was allowable at the rate of the United Kingdom Income Tax suffered in excess of 3s. 6d. in the £, or at the rate of the Dominion Income Tax, whichever was the less.

These provisions applied to years of assessment prior to the year commencing 6th April, 1920.

16. For 1920-21, the relief allowable is that granted by Section 27 of the Finance Act, 1920, which followed a recommendation made by the Royal Commission on the Income Tax in their Report dated 11th March, 1920. The recommendation of the Royal Commission was as follows :—

“ Firstly, that in respect of income taxed both in the United Kingdom and in a Dominion, in substitution for the existing partial reliefs there should be deducted from the appropriate rate of the United Kingdom Income Tax (including Super-tax) the whole of the rate of the Dominion Income Tax charged in respect of the same income, subject to the limitation that in no case should the maximum rate of relief given by the United Kingdom exceed one-half of the rate of the United Kingdom Income Tax (including Super-tax) to which the individual taxpayer might be liable ; and

Secondly, that any further relief necessary in order to confer on the taxpayer relief amounting in all to the lower of the two taxes (United Kingdom and Dominion) should be given by the Dominion concerned.”

17. Under Section 27 of the Finance Act, 1920, any person who has paid, by deduction or otherwise, or is liable to pay, United Kingdom Income Tax on any part of his income and proves that he has paid Dominion Income Tax for the same year in respect of the same part of his income, is entitled to relief from United Kingdom Income Tax, on that part of his income, calculated at the rate of

- (a) the Dominion rate of tax, or
- (b) one-half that person's “ appropriate rate of United Kingdom tax,” *whichever of the two rates (a) and (b) is the less.*

The Section also provides for the determination of the “ Dominion rate of tax ” and the “ appropriate rate of United Kingdom tax ” as follows :—

- (a) The “ Dominion rate of tax ” is to be determined by dividing the amount of the Dominion Income Tax paid for the year by the amount of the income in respect of which the Dominion Income Tax is charged for that year.
- (b) The “ appropriate rate of United Kingdom tax ” is the rate of United Kingdom Income Tax which the claimant is liable to bear for the year to which the claim relates, or, where he is liable to United Kingdom Super-tax for the same year, it is the sum of the rates of United Kingdom Income Tax and Super-tax which he is liable to bear for that year.

The rate of United Kingdom Income Tax is to be ascertained by dividing the amount of tax payable on the claimant's taxable income by the amount of that taxable income, while the rate of Super-tax is to be ascertained by dividing the amount of the Super-tax payable by the claimant by the amount of his total income from all sources as estimated for Super-tax purposes.

18. It will be seen from paragraph 17 above that the *maximum* allowance to a Company for the year of assessment 1920-21 is 3s. in the £, *i.e.*, one-half of the rate of United Kingdom Income Tax applicable to Companies (6s. in the £). Where, however, a Company has paid Dominion Income Tax at a rate of more than 3s. in the £ and the further relief mentioned in the second paragraph of the recommendation of the Royal Commission on the Income Tax (*see* paragraph 16 above) is not given by the Dominion concerned, a shareholder (not being a "preference" shareholder) whose "appropriate rate of United Kingdom tax" exceeds 6s. in the £ may make a further claim.

19. The following examples illustrate the method to be adopted in calculating relief due under Section 27 of the Finance Act, 1920, for the year ending 5th April, 1921 :—

EXAMPLE 1.

A. is a married man and has one child ; he has a fixed income of £700 from rent of land in a Dominion and has no other income. His liability to United Kingdom Income Tax is—

	£	£	
Assessable income		700	
Less personal allowance	225		
Less deduction for child	36		
	—	261	
Taxable income		£439	
		£	s.
			d.
Tax on first £225 at 3s. .. ..	.. ..	33	15 0
Tax on balance £214 at 6s. .. ..	.. ..	64	4 0
		97	19 0*
Total tax (before relief in respect of Dominion Income Tax)			

The tax £97 19s. divided by the taxable income £439 gives an "appropriate rate of United Kingdom tax" of 4s. 6d. approximately.

If A. paid Dominion Income Tax in respect of the same income at a rate which did not exceed 2s. 3d. (*i.e.*, one-half of 4s. 6d.) in the £, the relief from United Kingdom Income Tax would be a sum equal to the Dominion rate on £439. For example, if the Dominion rate were 2s. in the £, the relief would be 2s. on £439 = £43 18s.

If, however, the Dominion rate exceeded 2s. 3d. in the £, A.'s relief from United Kingdom Income Tax would be £439 at 2s. 3d. in the £ (half the "appropriate rate of United Kingdom tax," *i.e.*, the maximum allowance under the Act) = £49 7s. 9d.

* For the purpose of calculating the "appropriate rate of United Kingdom tax," this amount is not to be reduced by any relief granted in respect of Life Insurance Premiums.

EXAMPLE 2.

B. is a bachelor, with no dependants, and has earned income of £1,000 assessable to United Kingdom Income Tax. He has no other income. He also pays Income Tax in a Dominion in respect of the income in question.

His liability to United Kingdom Income Tax is—

Total income	£ 1,000
Less earned income allowance (1-10th of £1,000)	100
Assessable income	900
Less personal allowance	135
Taxable income	765
Tax on first £225 at 3s.	£ s. d. 33 15 0
Tax on balance £540 at 6s.	162 0 0
Total tax (before relief in respect of Dominion Income Tax)	195 15 0*

The tax £195 15s. divided by the taxable income £765 gives an "appropriate rate of United Kingdom tax" of 5s. 1½*d.* approximately.

If Dominion Income Tax is paid at a rate of 2s. 6½*d.*, *i.e.*, one-half of 5s. 1½*d.*, or at a greater rate, the relief from United Kingdom Income Tax is 2s. 6½*d.* in the £ on £765. If Dominion Income Tax is paid at a lower rate than 2s. 6½*d.*, the relief due is that lower rate on £765.

EXAMPLE 3.

C. has £1,000 per annum from Dividends on Ordinary shares in a British Company, the whole profits of which are taxed both in the United Kingdom and in a Dominion.

The rate of Dominion Income Tax paid by the Company is 7s. in the £.

The Company claims relief from United Kingdom Income Tax and obtains the maximum allowance, *viz.*, 3s. (one-half of 6s.) in the £, and deducts United Kingdom Income Tax at 3s. (6s. less 3s. relief) in the £ from the dividends paid to C.

The Dominion gives the Company no relief from Dominion Income Tax on account of the payment of United Kingdom Income Tax.

* For the purpose of calculating the "appropriate rate of United Kingdom tax," this amount is not to be reduced by any relief granted in respect of Life Insurance Premiums.

C. is liable to United Kingdom Super-tax. His Super-tax rate is 4s. in the £, while his Income Tax rate is 5s. 10d. in the £, calculated as indicated in paragraph 17; thus his "appropriate rate of United Kingdom tax" is 9s. 10d. in the £ (5s. 10d. Income Tax plus 4s. Super-tax).

C. would claim further relief at the rate of 1s. 11d. in the £, *i.e.*, 4s. 11d. (one-half of 9s. 10d.) less 3s. allowed through the Company.

20. A comprehensive memorandum on the new provisions as to double income taxation, and on the existing law as to double taxation by way of death duties, in the United Kingdom and the Dominions overseas, was prepared for Sir Basil Blackett, K.C.B., and presented by him to the Provisional Economic and Financial Committee of the League of Nations. A supplementary memorandum was similarly prepared and presented discussing the effect of double taxation upon the placing of investments abroad. The memoranda have been published as League of Nations papers, Nos. E.F.S. 16 and 16A; A. 16 and 16A (Constable & Co., London).

EXEMPTION IN RESPECT OF INCOME FROM SCHOLARSHIPS.

21. Income arising from a scholarship held by a person receiving full-time instruction at a university, college, school or other educational establishment is exempted from Income Tax (including Super-tax), and no account is taken of any such income in computing the total income for Income Tax purposes for 1920-21 and future years.

The expression "scholarship" includes an exhibition, bursary, or any other similar educational endowment.

CONVERSION OF GOVERNMENT SECURITIES.

22. Where a taxpayer's statement of total income for 1920-21 includes both—

- (i) interest received in the preceding year, without deduction of tax, upon Government securities which have been surrendered as the equivalent of cash in payment for fully paid allotments of 5½ per cent. Exchequer Bonds, 1925, or any other Government security subsequently issued, and
- (ii) interest receivable in 1920-21, taxable by deduction, upon such Exchequer Bonds or other substituted securities,

and the amount of the interest so included exceeds the amount of a full year's interest on the original securities converted, the taxpayer may require that the excess (a) shall be omitted in the computation of his total income from all sources, but (b) shall be chargeable at such rate or rates, and subject to such reliefs, if any, as are applicable to the highest part of the total income, exclusive of such excess.

The provision operates to confer relief in those cases only where the omission referred to brings the total income below the amount of the aggregate deductions due, or below the point at which the full standard rate of tax—6s. in the £—commences to apply.

MAINTENANCE, REPAIRS, &C., OF PROPERTY.

23. The allowance in respect of the excess of the average annual expenditure for the five preceding years on maintenance, repairs, &c., over the statutory repairs allowance of one-sixth of the annual value in the case of houses was extended by the substitution for those previously in force of the following limits of annual value, following the standard rent limits prescribed by the Increase of Rent and Mortgage Interest (Restrictions) Act, 1920, viz. :—

- £105 for houses within the Metropolitan Police District (including the City of London).
- £90 for houses in Scotland.
- £78 for houses elsewhere.

TABLE 54.—TAXATION IN FORCE FOR THE YEAR 1920–21.

Standard rate of Tax—6s. in the £.

The following allowances, deductions and reliefs were granted to individuals whatever the total amount of the income :—

Earned Income Allowance	One-tenth of the earned income, not exceeding £200 for any individual.
Personal Allowance	Married persons, £225 ; Other persons, £135.
Increased Personal Allowance where Wife has earned income.	Up to £45.
Widower's or Widow's Housekeeper taking care of children.	£45.
Unmarried person's widowed mother taking care of children.	£45.
Children under 16 years of age or over 16 if continuing full-time education.	£36 for one child and £27 for each subsequent child.
Certain Dependent Relatives incapacitated by old age or infirmity.	£25 for each such relative.

Rates of Tax Chargeable on the Taxable Income.

On the first £225	3s. in the £.
On the remainder	6s. in the £.

Allowance for Life Insurance Premiums	Tax calculated at defined rates on premiums, subject to various restrictions.
Dominion Income Tax Relief	Tax calculated in accordance with paragraphs 16 to 19 above.

TABLE 55.—SHOWING EFFECTIVE RATES OF TAX IN STEPS OF 1d. UP VARIETY OF REPRESENTATIVE CASES, e.g., A MARRIED TAXPAYER, A PAYER WITH ONE

RATE OF TAX ON EACH £ OF TOTAL INCOME BECOMES	MARRIED PERSONS (WIFE HAVING NO EARNED INCOME).									
	With No Children.		With One Child.		With Two Children.		With Three Children.		With Four Children.	
	Income Wholly		Income Wholly		Income Wholly		Income Wholly		Income Wholly	
	Earned.	Investment.	Earned.	Investment.	Earned.	Investment.	Earned.	Investment.	Earned.	Investment.
1. 0	£ 250	£ 225	£ 250	£ 261	£ 320	£ 288	£ 350	£ 315	£ 380	£ 342
0 1	238	231	239	268	330	296	361	324	392	352
0 2	266	238	309	276	341	305	373	334	405	362
0 3	276	245	320	285	353	314	386	344	419	373
0 4	285	253	331	294	365	324	399	354	434	385
0 5	296	261	343	303	378	334	414	366	449	397
0 6	307	270	356	313	393	346	430	378	466	410
0 7	319	279	370	324	408	358	446	391	485	425
0 8	332	289	385	336	425	370	465	405	505	440
0 9	346	300	402	348	443	384	485	420	526	456
0 10	362	312	419	361	463	399	506	436	550	474
0 11	378	324	439	376	484	415	530	454	575	492
1 0	397	337	461	391	508	432	556	472	604	513
1 1	418	352	484	409	534	451	585	493	632	535
1 2	440	368	511	427	563	471	606	515	644	560
1 3	468	386	540	447	579	494	618	540	657	574
1 4	494	405	551	470	591	515	631	550	671	584
1 5	508	426	563	489	603	524	644	560	685	595
1 6	519	450	575	498	616	534	658	570	699	606
1 7	531	458	587	507	630	544	672	581	714	617
1 8	542	467	600	517	644	555	687	592	730	629
1 9	555	476	614	527	658	565	703	604	747	642
2 0	568	486	628	538	674	577	719	616	765	654
2 1	581	496	643	549	690	588	736	628	783	668
2 2	598	506	659	560	707	601	754	641	802	682
2 3	626	528	693	585	743	627	793	669	843	711
2 4	660	552	731	611	784	655	836	700	869	744
2 5	698	579	773	640	829	687	884	733	940	779
2 6	741	607	820	672	879	721	938	769	998	818
2 7	789	639	873	708	936	759	999	810	1,082	861
2 8	844	675	934	747	1,001	801	1,069	855	1,136	909
2 9	942	738	1,042	815	1,118	874	1,193	933	1,268	992
3 0	1,066	810	1,179	896	1,285	961	1,350	1,026	1,435	1,091
3 1	1,227	900	1,358	996	1,456	1,068	1,555	1,140	1,653	1,212
3 2	1,446	1,012	1,601	1,120	1,716	1,201	1,832	1,282	1,948	1,363
4 0	1,761	1,157	1,949	1,281	2,050	1,373	2,100	1,466	2,150	1,558
4 6	2,050	1,350	2,150	1,484	2,200	1,602	2,250	1,710	2,300	1,818
4 8	2,250	1,620	2,350	1,793	2,400	1,922	2,450	2,000	2,500	2,100
4 9	2,500	2,000	2,550	2,100	2,600	2,150	2,650	2,250	2,750	2,300
5 0	3,000	2,500	3,050	2,600	3,100	2,650	3,150	2,750	3,250	2,800
5 6	3,600	3,100	3,700	3,200	3,750	3,250	3,800	3,350	3,850	3,400
6 0	4,400	3,900	4,500	4,000	4,550	4,050	4,600	4,150	4,650	4,200
6 6	5,400	4,900	5,500	5,000	5,550	5,050	5,600	5,150	5,650	5,200
7 0	6,600	6,100	6,700	6,200	6,750	6,250	6,800	6,350	6,850	6,400
7 6	8,000	7,500	8,050	7,600	8,100	7,650	8,150	7,750	8,250	7,800
8 0	9,600	9,100	9,700	9,200	9,750	9,250	9,800	9,350	9,850	9,400
8 6	12,000	11,400	12,100	11,500	12,200	11,600	12,250	11,650	12,350	11,750
9 0	16,000	15,200	16,150	15,350	16,250	15,450	16,350	15,550	16,450	15,650
9 6	22,650	21,850	22,900	22,000	22,900	22,100	23,000	22,200	23,100	22,300
10 0	32,650	31,850	32,800	32,000	32,900	32,100	33,000	32,200	33,100	32,300
10 6	48,950	47,750	49,200	48,000	49,350	48,150	49,500	48,300	49,700	48,500
11 0	67,950	65,550	68,400	66,000	68,700	66,300	69,050	66,650	69,350	66,950
11 6	97,950	95,550	98,400	96,000	98,700	96,300	99,050	96,650	99,350	96,950
11 9	198,900	191,100	198,750	191,950	197,400	192,600	198,050	193,250	198,700	193,900

N.B.—The use of the table may be illustrated by an example. A married taxpayer entitled to a deduction for section of the table headed "Married Persons" and the column in that section headed "with three children." If, for income is slightly over 7d. in the £, 7d. being the effective rate of tax chargeable on a wholly earned income of £446 to a deduction for three children. The above rates would be further reduced in the case of a taxpayer entitled to the shown in the

TO 2s., AND THEREAFTER IN INCREASING STEPS UP TO 11s. 9d., IN A MARRIED TAXPAYER WITH THREE CHILDREN, AN UNMARRIED TAX-DEPENDANT, ETC.

		WIDOWERS AND WIDOWS.				SINGLE PERSONS.				RATE OF TAX ON EACH £ ON TOTAL INCOME BECOMES
With Five Children.		With Housekeeper and One Child.		With Housekeeper and Three Children.		With No Dependants.		With One Dependant.		
Income Wholly		Income Wholly		Income Wholly		Income Wholly		Income Wholly		
Earned.	Investment.	Earned.	Investment.	Earned.	Investment.	Earned.	Investment.	Earned.	Investment.	
£ 410	£ 989	£ 240	£ 218	£ 300	£ 270	£ 150	£ 135	£ 178	£ 180	s. d.
423	380	248	222	310	278	155	139	183	165	0 1
437	391	256	229	320	286	160	143	189	169	0 2
452	403	264	236	331	295	165	147	196	175	0 3
468	415	274	243	342	304	171	152	203	180	0 4
485	429	284	251	355	314	177	157	210	186	0 5
503	443	295	259	368	324	184	162	218	192	0 6
523	458	306	268	383	335	191	168	227	199	0 7
544	474	319	278	398	347	199	174	236	206	0 8
568	492	332	288	415	360	208	180	246	213	0 9
593	511	347	299	434	374	217	187	257	222	0 10
621	531	363	311	454	389	227	194	269	230	0 11
651	553	381	324	476	405	238	202	282	240	1 0
689	578	401	338	501	423	251	211	297	250	1 1
682	598	423	353	528	442	264	221	313	262	1 2
696	608	447	370	553	463	279	231	331	274	1 3
710	619	474	389	564	486	296	243	351	288	1 4
725	630	495	408	576	501	316	256	374	303	1 5
741	642	505	432	588	510	337	270	400	320	1 6
757	654	516	446	601	520	363	286	428	339	1 7
774	667	528	455	615	530	392	304	438	360	1 8
792	680	540	464	629	540	407	324	448	384	1 9
810	693	553	473	643	551	416	347	458	392	1 10
829	708	566	483	659	562	426	364	469	400	1 11
850	722	580	493	675	574	437	371	481	409	2 0
894	754	610	514	710	599	459	387	506	427	2 2
942	788	643	538	748	626	484	405	533	446	2 4
996	825	680	563	791	656	512	424	564	467	2 6
1,057	867	721	591	840	688	543	445	596	490	2 8
1,126	912	768	622	894	725	579	469	637	516	2 10
1,204	963	821	657	956	765	619	495	681	545	3 0
1,344	1,051	917	717	1,067	835	691	540	760	595	3 3
1,521	1,156	1,037	788	1,208	918	782	594	861	654	3 6
1,751	1,284	1,195	876	1,391	1,020	900	660	991	727	3 9
2,050	1,444	1,408	985	1,639	1,147	1,061	742	1,168	817	4 0
2,200	1,651	1,714	1,126	1,996	1,311	1,291	849	1,422	934	4 3
2,350	1,926	2,050	1,314	2,150	1,530	1,650	990	1,817	1,080	4 6
2,550	2,150	2,250	1,577	2,350	1,836	2,050	1,188	2,100	1,308	4 9
2,800	2,350	2,450	1,971	2,600	2,100	2,250	1,485	2,350	1,635	5 0
3,300	2,850	2,950	2,500	3,100	2,600	2,750	2,250	2,850	2,300	5 6
3,950	3,450	3,550	3,100	3,700	3,200	3,350	2,850	3,450	2,950	6 0
4,750	4,250	4,350	3,850	4,500	4,000	4,150	3,600	4,250	3,700	6 6
5,750	5,250	5,350	4,850	5,500	5,000	5,150	4,600	5,250	4,700	7 0
6,950	6,450	6,550	6,100	6,700	6,200	6,350	5,850	6,450	5,950	7 6
8,300	7,850	7,950	7,500	8,100	7,600	7,750	7,300	7,850	7,350	8 0
9,950	9,450	9,550	9,100	9,700	9,200	9,350	8,900	9,450	8,950	8 6
12,400	11,900	11,950	11,350	12,100	11,500	11,700	11,100	11,800	11,200	9 0
16,550	15,750	15,950	15,150	16,150	15,350	15,600	14,800	15,700	14,900	9 6
23,250	22,450	22,600	21,800	22,850	22,050	22,300	21,500	22,600	21,600	10 0
33,250	32,450	32,600	31,800	32,850	32,050	32,300	31,500	32,400	31,600	10 6
49,850	48,650	48,900	47,700	49,250	48,050	48,450	47,250	48,600	47,400	11 0
99,700	97,300	97,850	95,450	98,500	96,100	96,850	94,450	97,150	94,750	11 6
199,350	194,550	195,700	190,900	197,000	192,200	193,750	188,950	194,350	189,550	11 9

three children will, in order to ascertain from the table the effective rate of tax payable on his income, consult the instance, his income is £450 and wholly earned, the taxpayer will find that the effective rate of tax payable on his and 8d. the effective rate of tax chargeable on a wholly earned income of £465 in the case of a married person entitled allowance in respect of life assurance premiums, or for children or dependant relatives to a number greater than as above table.

TABLE 56.—BUDGET ESTIMATES, AMOUNTS PAID INTO THE EXCHEQUER, NET RECEIPT AND NET PRODUCE OF THE INCOME TAX.

Year.	Budget Estimate of the Amount Receivable by the Exchequer.	Amount Paid into the Exchequer.	Net Receipt in the Year.	Net Produce of each Year's Assessments.	Normal Rate of Tax in the £	Produce for each Penny of the Rate of Tax shown in column 6.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1910-11*	£ 58,250,000	£ 59,056,000	£ 60,505,094	£ 38,344,767	s. d.	£
1911-12 ..	41,300,000	41,804,000	41,315,655	39,631,630	1 2	2,830,830
1912-13 ..	40,600,000	41,206,000	41,112,686	41,574,277	1 2	2,969,591
1913-14 ..	42,700,000	43,929,000	43,901,763	43,523,345	1 2	3,108,810
1914-15 ..	53,021,000	59,279,000	59,423,831	63,392,288	1 8	3,168,614
1915-16 ..	99,824,000	111,555,000	112,372,936	118,765,226	3 0	3,299,034
1916-17 ..	178,000,000	185,930,000	186,538,039	201,636,704	5 0	3,360,612
1917-18 ..	205,000,000	216,252,000	214,856,990	220,087,992	5 0	3,668,133
1918-19 ..	255,750,000	255,591,000	257,707,799	303,630,376	6 0	4,217,088
1919-20 ..	312,000,000	316,926,000	317,029,475	338,555,563	6 0	4,674,383
1920-21 ..	331,400,000	338,965,000	340,665,338	350,000,000†	6 0	4,860,000†

TABLE 57.—NET RECEIPT OF INCOME TAX IN EACH PART OF THE KINGDOM.

YEAR.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
1910-11*	£ 53,815,998	£ 4,863,862	£ 1,825,234	£ 60,505,094
1911-12 ..	36,737,256	3,372,599	1,205,800	41,315,655
1912-13 ..	36,340,529	3,605,312	1,166,845	41,112,686
1913-14 ..	38,974,376	3,765,769	1,161,618	43,901,763
1914-15 ..	52,057,495	5,796,827	1,569,509	59,423,831
1915-16 ..	98,971,043	10,489,391	2,912,502	112,372,936
1916-17 ..	164,744,625	17,285,775	4,507,639	186,538,039
1917-18 ..	189,128,236	20,709,630	5,019,124	214,856,990
1918-19 ..	226,114,635	25,666,521	5,926,643	257,707,799
1919-20 ..	278,739,791	30,396,824	7,892,860	317,029,475
1920-21 ..	302,394,925	32,261,847	6,008,566	340,665,338

* Owing to the delay in passing the Finance Bill for the year 1909-10, the figures of Income Tax assessments (except those under Schedule C) and of Net Produce of the tax are somewhat higher for 1910-11 than they would have been in normal circumstances. The disturbance in the case of the Budget Estimates, Net Receipt and Payments into the Exchequer for 1910-11 is very marked, owing to the great delay in the collection of the tax for 1909-10.

† Estimate.

INCOME TAX—(SCHEDULES A, B, C, D, AND E).

TABLE 60.—DETAILS OF THE ASSESSMENTS MADE IN THE YEAR 1919-20.

	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
(a) GROSS INCOME	£ 2,566,878,147	£ 309,505,807	£ 94,220,082	£ 2,970,604,036
(b) Exemptions :—				
Incomes not exceeding £130*	52,836,337	6,750,911	19,602,049	79,189,297
Charities, colleges, hospitals, schools, friendly societies, &c.	13,753,330	2,168,140	906,467	16,827,937
Dominion and foreign dividends belonging to persons not resident in the United Kingdom	2,666,670	13,640	—	2,680,310
(c) Reductions :—				
Repairs—Lands and Houses and Buildings	39,836,661	4,674,263	1,519,891	46,030,815
Empty Property	2,520,000	162,894	20,000	2,702,894
Wear and Tear of Machinery or Plant	44,895,173	5,132,885	1,236,708	51,264,766
Other Reductions and Discharges	193,674,923	23,619,329	7,433,942	224,728,194
<i>Total (b) and (c)</i>	350,183,094	42,522,062	30,719,057	423,424,213
(d) ACTUAL INCOME [VIZ., GROSS INCOME (a) LESS EXEMPTIONS (b) AND REDUCTIONS (c)]	2,216,695,053	266,983,745	63,501,025	2,547,179,823
(e) Allowances from Actual Income—				
Abatements of £120 on Incomes exceeding £130 and not exceeding £400	549,856,392	79,631,546	17,354,693	646,842,631
Abatements of £100 on Incomes exceeding £400 and not exceeding £600	23,563,520	2,721,678	993,353	27,278,551
Abatements of £70 on Incomes exceeding £600 and not exceeding £700	4,097,154	446,972	171,160	4,715,286
Life Insurance Premiums	24,191,105	3,047,338	1,119,427	28,357,870
Relief in respect of Children	179,250,415	21,394,536	4,634,609	205,279,560
Relief in respect of Wife or Housekeeper	181,371,015	20,951,717	4,129,282	206,452,014
Relief in respect of Dependent Relatives	10,379,397	1,358,753	292,505	12,030,655
<i>Total (e)</i>	972,708,996	129,552,540	28,695,029	1,130,956,567
(f) INCOME ON WHICH TAX WAS RECEIVED [VIZ., ACTUAL INCOME (d) LESS ALLOWANCES (e)] †	1,243,986,055	137,431,205	34,805,996	1,416,223,256
(g) TOTAL NET PRODUCE OF TAX ‡	296,192,006	32,461,766	7,901,791	336,555,563
(h) NET PRODUCE FOR EACH PENNY OF THE NORMAL RATE OF TAX (6s.) (i.e., ONE SEVENTY-SECOND OF THE TOTAL (g))	—	—	—	4,674,383
AVERAGE EFFECTIVE RATE OF TAX LEVIED ON EACH POUND OF ACTUAL INCOME (d)	—	—	—	2s. 8d.

* This item represents that fraction of the income of exempt persons which comes under the purview of the Department.

† Includes some abatements of £160 for the years 1917-18 and 1918-19 granted to naval and military officers and others entitled thereto.

‡ For the various rates of duty levied on the bulk of this income, see Table 59. (Where the assessments though made in 1919-20 were for prior years, the rates of duty levied were, of course, those in force for such prior years.)

§ This is the total ultimate yield of the assessments made in 1919-20, whether actually collected in that year or later.

TABLE 61.—SHOWING FOR THE UNITED KINGDOM, THE GROSS INCOME FOR INCOME TAX PURPOSES, THE REDUCTIONS AND ALLOWANCES, THE INCOME ON WHICH TAX WAS RECEIVED, THE NET PRODUCE OF INCOME TAX AND THE AVERAGE EFFECTIVE RATE OF TAX LEVIED.

Year.	Gross Income.	Exemptions in respect of—				Reductions.				Total of Columns 3 to 9.
		3.	4.	5.	6.	7.	8.	9.		
	£	£	£	£	£	£	£	£	£	£
1910-11†	1,045,833,775	58,119,462	12,504,076	2,071,500	41,906,700	7,985,381	25,341,740	59,595,561	207,524,420	
1911-12	1,070,142,343	59,468,725	13,602,707	1,626,300	42,405,280	7,599,208	26,414,376	52,571,934	203,688,540	
1912-13	1,111,456,413	60,381,678	13,960,518	1,691,500	42,942,150	8,877,891	29,205,471	49,245,392	204,304,600	
1913-14	1,167,184,229	61,605,821	14,858,572	1,731,950	43,359,897	6,141,120	34,870,052	53,576,530	216,143,742	
1914-15	1,238,313,397	62,372,178	14,772,327	1,884,800	44,161,960	5,517,614	36,563,642	87,844,275	253,116,796	
1915-16	1,322,684,843	67,810,534	16,131,630	2,119,000	44,450,924	5,116,969	36,633,004	100,528,744	272,796,805	
1916-17	1,662,724,028	66,147,193	15,258,040	2,072,050	44,839,604	5,077,976	36,719,999	119,157,384	289,272,246	
1917-18	1,967,065,911	67,718,907	16,840,770	2,691,230	45,096,919	4,887,839	38,067,504	161,035,658	336,338,827	
1918-19	2,445,655,311	75,976,519	16,380,053	2,669,990	45,230,343	3,824,045	42,779,508	187,223,057	374,083,515	
1919-20	2,970,604,036	79,189,297	16,827,937	2,680,310	46,030,815	2,702,894	51,264,766	224,728,194	423,424,213	
1920-21 Estimates	3,000,000,000	100,000,000	17,300,000	3,000,000	50,000,000	2,700,000	55,000,000	272,000,000	500,000,000	

* The figures in this column represent that fraction of the income of exempt persons which for administrative reasons comes within the notice of the Department.

TABLE 61.—SHOWING FOR THE UNITED KINGDOM, THE GROSS INCOME FOR INCOME TAX PURPOSES, THE REDUCTIONS AND ALLOWANCES, THE INCOME ON WHICH TAX WAS RECEIVED, THE NET PRODUCE OF INCOME TAX AND THE AVERAGE EFFECTIVE RATE OF TAX LEVIED—continued.

Year.	Actual Income (Column 2 less Column 10).	Allowances from Actual Income.			Total of Columns 13, 14 and 15.	Income on which Tax was received (Column 12 less Column 16).	Net Produce of Tax.	Average effective rate of Tax Levied on each Pound of Actual Income.
		Abatements.	Life Insurance Premiums.	Relief in respect of Children.				
11.	12.	13.	14.	15.	16.	17.	18.	19.
1910-11	838,309,355	124,529,529	11,655,511	5,050,283	141,235,323	697,074,032	38,344,767	d. 10-98
1911-12	866,453,803	128,449,392	11,882,213	5,481,611	145,813,216	720,640,587	39,631,630	10-98
1912-13	907,151,813	133,195,066	12,518,938	5,860,262	151,574,266	735,577,547	41,574,277	11-00
1913-14	951,040,487	139,772,193	13,304,633	6,248,796	159,325,622	791,714,865	43,523,345	10-98
1914-15	985,196,601	144,908,762	13,734,524	11,704,011	170,347,297	814,849,304	63,392,288	15-44
1915-16	1,049,894,038	141,564,414	14,647,077	19,841,482	176,052,973	873,841,065	118,765,226	27-15
1916-17	1,373,451,782	311,462,271	17,430,934	62,842,704	391,735,909	981,715,873	201,636,704	35-23
1917-18	1,630,727,084	435,687,675	20,829,499	90,227,628	546,744,802	1,083,982,282	220,087,992	32-39
1918-19	2,071,571,796	558,916,231	24,327,294	117,130,143 Wife, &c. 83,919,957	784,293,625	1,287,278,171	303,630,376	35-17
1919-20	2,547,179,823	678,836,468	28,357,870	205,279,560 Wife, &c. 218,482,669	1,130,956,567	1,416,223,256	336,555,563	31-71
1920-21 Estimates	2,500,000,000	140,000,000	Personal Allowances, &c. 1,020,000,000		1,160,000,000	1,340,000,000	350,000,000	33-60

† See note * on page 94.

TABLE 62 (contd.)—INCOME CHARGED AND TAX PAID AT EACH RATE.

1. Year and Rates of Tax. (See page 95.)	2. Gross Income.	3. Exemptions and Reductions detailed in Columns 3 to 9 of Table 61.	4. Actual Income (Column 2 less Column 3).	Allowances from Actual Income.						10. Total of Columns 5 to 9.	11. Income on which Tax was received (Column 4 less Column 10).	12. Net Produce of Tax.	13. Average effective Rate Levied on each Pound of Actual Income.
				5. Abatements.	6. Life Insurance Premiums.	7. Relief in respect of Children.	8. Relief in respect of Wife or House-keeper.	9. Relief in respect of Dependent Relatives.					
1915-16													
35. Normal			£ 684,682,867	£ 1,043,753	£ 4,671,689	£ —	£ —	£ —	£ 5,715,642	£ 678,967,225	£ 99,087,733	34.74	
2s. 9d. Unearned			20,791,401	5,144,948	81,664	348,794	—	—	5,572,606	15,218,795	2,119,923	24.47	
2s. 4½d. Unearned			32,895,103	17,824,175	148,787	944,554	—	—	18,918,516	13,966,587	1,666,037	12.18	
2s. 9½d. Earned	1,322,684,843	272,790,805	10,237,959	—	390,802	—	—	—	380,802	9,857,357	1,353,440	31.73	
2s. 4½d. Earned			16,439,353	—	625,583	—	—	—	625,583	15,813,770	1,964,890	27.23	
2s. 1¼d. Earned			27,877,469	—	1,027,113	—	—	—	1,027,113	26,850,356	2,779,330	23.02	
1s. 9½d. Earned			256,979,896	117,551,538	7,710,239	18,551,134	—	—	143,812,911	113,166,975	9,893,863	9.24	
Total			1,046,894,038	141,564,414	14,847,077	19,841,482	—	—	178,052,973	873,841,065	118,765,228	27.15	
1916-17													
35. Normal			£ 582,779,590	—	£ 4,176,460	—	—	—	£ 4,176,460	£ 578,603,130	£ 139,383,704	57.41	
4s. 6d. Unearned			36,106,439	—	215,424	—	—	—	215,424	35,891,015	7,990,000	53.11	
4s. Unearned			53,217,544	—	275,200	—	—	—	275,200	53,442,344	10,653,000	47.51	
3s. 6d. Unearned			71,009,263	1,608,458	295,726	122,771	—	—	2,026,955	68,981,308	12,058,000	40.75	
3s. Unearned	1,662,724,028	289,272,246	59,453,697	23,717,710	410,580	1,504,270	—	—	24,632,560	34,821,137	5,175,000	20.89	
4s. 4d. Earned			10,751,241	—	392,347	—	—	—	392,347	10,358,894	2,153,000	48.07	
3s. 8d. Earned			16,776,376	—	633,766	—	—	—	633,766	16,144,610	2,860,000	40.91	
3s. Earned			29,223,572	—	1,073,720	—	—	—	1,073,720	28,149,852	4,121,000	33.85	
2s. 8d. Earned			70,526,376	7,404,510	2,190,800	2,244,600	—	—	11,839,910	59,686,466	7,034,000	23.94	
2s. 3d. Earned			443,106,684	279,731,593	7,766,911	86,871,083	—	—	346,469,567	96,637,117	10,229,000	6.54	
Total			1,373,451,782	311,462,271	17,430,934	67,842,704	—	—	391,735,909	981,715,873	201,636,704	35.23	

TABLE 62 (contd.)—INCOME CHARGED AND TAX PAID AT EACH RATE.

Year and Rate of Tax. (See page 95.)	Gross Income.	Exemptions and Reductions detailed in Columns 3 to 9 of Table 61.	Actual Income (Column 2 less Column 3).	Allowances from Actual Income.						Total of Columns 5 to 9.	Income on which Tax was received (Column 4 less Column 10).	Net Proceeds of Tax.	Average effective Rate Levied on each Pound of Actual Income.
				Abatements.	Life Insurance Premiums.	Relief in respect of Children.	Relief in respect of Wife or Housekeeper.	Relief in respect of Dependent Relatives.					
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	
1919-20*	£	£	£	£	£	£	£	£	£	£	£	d.	
6s. Normal			783,673,812	—	6,975,315	—	—	—	6,975,315	776,698,297	230,914,026	70-83	
5s. 3d.			47,114,742	—	257,130	—	—	—	257,130	46,857,612	12,087,975	61-55	
Unearned			65,572,729	—	346,546	—	—	—	346,546	65,226,183	14,500,241	53-07	
4s. 6d.			92,684,141	2,104,700	435,607	350,457	379,823	29,166	3,293,755	89,290,386	16,677,822	43-23	
Unearned	2,970,604,036	423,424,213	90,825,783	27,345,048	607,960	2,948,800	2,744,117	196,220	33,443,946	57,381,837	8,536,917	22-56	
Unearned			17,029,237	—	654,211	—	—	—	654,211	16,374,026	4,249,890	59-86	
5s. 3d.			28,439,689	—	1,070,344	—	—	—	1,070,344	27,369,345	6,080,465	51-91	
4s. 6d.			62,515,558	—	1,791,340	—	—	—	1,791,340	60,724,218	9,411,992	49-01	
Earned			135,316,986	12,763,704	3,574,227	7,269,213	6,484,256	496,563	30,457,963	104,729,003	15,375,401	27-27	
3s. 9d.			1,234,108,388	638,423,015	12,645,190	195,311,290	196,949,818	11,306,704	1,052,359,017	181,872,351	19,326,644	9-76	
Earned			2,547,179,823	678,639,468	28,357,970	203,279,560	208,457,014	12,080,855	1,130,956,667	1,416,223,256	336,653,663	31-71	
2s. 3d.													
Earned													
Total													

* The figures include certain assessments for prior years when the rates differed from that shown on any line.

In the case of a mixed income, i.e., one chargeable partly at one rate and partly at another, the effect of the provisions of the law was that the relief in respect of abatement, life insurance premiums, children, &c., was given as far as possible out of the income chargeable at the earned rate. This accounts for the large amount of relief shown in the above table as being granted by way of abatement, &c., in respect of income taxable at the lowest earned rate.

TABLE 63.—SHOWING, FOR THE UNITED KINGDOM, IN SCHEDULES, THE GROSS INCOME FOR INCOME TAX PURPOSES.

Year.	Income from the Ownership of Lands, Houses, &c.	Profits from the Occupation of Lands, & c.	Income from British, Dominion, & Foreign Government Securities.	Profits from Businesses, Professions, Employments, &c.	Salaries of Government, Corporation, and Public Company Officials.	Total.
	Schedule A.	Schedule B. †	Schedule C.	Schedule D.	Schedule E.	
1910-11* ..	£ 275,822,913	£ 17,438,990	£ 49,562,418	£ 583,312,069	£ 119,697,415	£ 1,045,833,775
1911-12 ..	277,330,332	17,457,799	49,508,187	596,656,772	127,189,253	1,070,142,343
1912-13 ..	279,536,366	17,434,591	50,288,570	628,588,691	135,608,165	1,111,456,413
1913-14 ..	282,262,109	17,500,213	51,168,329	670,633,544	145,620,034	1,167,184,229
1914-15 ..	285,030,302	17,550,631	53,980,329	724,488,365	157,253,770	1,236,313,397
1915-16 ..	286,185,517	51,490,000	71,768,112	732,348,140	180,893,074	1,322,684,843
1916-17 ..	287,941,633	51,480,000	95,263,771	792,705,973	205,577,960	1,662,724,028
1917-18 ..	288,347,505	51,230,000	76,612,502	891,029,895	394,204,296	1,967,065,911
1918-19 ..	288,699,057	98,800,000	80,150,398	1,039,123,827	590,827,226	2,445,655,311
1919-20 ..	290,751,665	98,950,000	90,462,524	1,197,375,968	863,815,869	2,970,604,036
1920-21 ..				Not available.		

TABLE 64.—SHOWING, FOR THE UNITED KINGDOM, IN SCHEDULES, THE ACTUAL INCOME, *i.e.*, THE GROSS INCOME, *less* EXEMPTIONS AND REDUCTIONS, OTHER THAN ABATEMENTS AND RELIEFS PERSONAL TO THE TAXPAYER.

Year.	Schedule A.	Schedule B. †	Schedule C.	Schedule D.	Schedule E.	Total.
	1910-11* ..	£ 173,318,219	£ 5,508,229	£ 46,080,998	£ 499,930,618		£ 113,473,291	£ 838,309,355
1911-12 ..	173,274,163	5,400,009	46,204,831	520,934,710	120,640,090	866,453,803
1912-13 ..	174,422,389	5,366,026	47,005,550	551,868,204	128,489,644	907,151,813
1913-14 ..	175,661,668	5,373,061	47,775,979	584,345,743	137,884,036	951,040,487
1914-15 ..	176,953,872	5,220,442	49,894,289	605,580,183	147,547,815	985,196,601
1915-16 ..	178,172,677	28,917,919	62,423,612	608,612,087	171,767,743	1,049,894,038
1916-17 ..	184,597,540	28,603,341	79,271,473	661,139,711	199,904,940	1,373,451,782
1917-18 ..	184,051,891	29,024,104	68,105,941	716,517,112	378,168,904	1,630,727,084
1918-19 ..	188,151,394	63,460,150	72,574,830	855,391,465	560,064,140	2,071,571,766
1919-20 ..	186,824,296	64,087,328	82,111,614	960,419,622	825,786,395	2,547,179,823
1920-21 ..				Not available.		

* See note * on page 94.

† See note * to Table 73 on page 122.

TABLE 65.—SHOWING FOR THE UNITED KINGDOM, IN SCHEDULES, THE INCOME ON WHICH INCOME TAX WAS RECEIVED.

Year.	Income from the Ownership of Lands, Houses, &c.	Profits from the Occupation of Lands, &c.	Income from British, Dominion, & Foreign Government Securities.	Profits from Businesses, Professions, Employments, &c.	Salaries of Government, Corporation, and Public Company Officials.	Total.
	Schedule A.	Schedule B. †	Schedule C.	Schedule D.	Schedule E.	
	£	£	£	£	£	£
1910-11* ..	180,662,267	3,942,183	43,814,398	425,781,908	62,873,276	697,074,032
1911-12 ..	180,228,544	3,812,035	43,912,643	445,526,736	67,160,629	720,640,587
1912-13 ..	181,100,205	3,754,256	44,718,928	474,823,976	71,180,182	755,577,547
1913-14 ..	181,811,525	3,755,604	45,409,456	504,527,788	76,210,512	791,714,865
1914-15 ..	182,762,255	3,546,007	47,369,539	520,883,490	80,278,013	814,849,304
1915-16 ..	185,138,176	16,648,123	59,800,182	533,048,385	99,206,199	873,841,065
					Weekly wage earners.	
1916-17 ..	172,861,291	16,389,872	76,973,462	569,201,764	24,514,930	981,715,673
1917-18 ..	172,583,580	16,441,034	66,068,602	623,493,428	58,560,496	1,083,982,282
1918-19 ..	175,832,409	39,990,033	70,466,147	744,754,988	73,845,569	1,287,278,171
1919-20 ..	175,247,480	37,241,496	79,756,671	832,987,791	79,226,166	1,416,223,256
1920-21 ..				Not available.		

* See note * on page 94.

† See note * to Table 73 on page 122.

TABLE 66.—SHOWING FOR THE UNITED KINGDOM THE NET PRODUCE OF THE INCOME TAX UNDER EACH SCHEDULE.

Year.	Income from the Ownership of Lands, Houses, &c. Schedule A.		Profits from the Occupation of Lands. Schedule B. †		Income from British Dominion and Foreign Government Securities. Schedule C.		Profits from Businesses, Professions, Employments, &c. Schedule D.		Salaries of Government, Corporation and Public Company Officials. Schedule E.		Total Net Produce of the Tax.	
	£	%	£	%	£	%	£	%	£	%		
1910-11*	9,334,020	24.3	203,789	0.5	2,554,399	6.7	23,527,279	61.4	2,725,280	7.1	38,344,767	100
1911-12	9,307,700	23.5	194,000	0.5	2,557,673	6.5	24,661,301	62.2	2,910,956	7.3	39,631,630	100
1912-13	9,358,611	22.5	189,998	0.5	2,607,210	6.3	26,336,863	63.3	3,081,575	7.4	41,574,277	100
1913-14	9,400,000	21.6	189,563	0.4	2,647,498	6.1	27,979,225	64.3	3,307,059	7.6	43,523,345	100
1914-15	13,462,651	21.2	254,930	0.4	3,870,027	6.1	40,890,339	64.5	4,914,341	7.8	63,392,288	100
1915-16	24,312,560	20.5	1,989,040	1.7	8,700,305	7.3	73,321,861	61.7	10,441,460	8.8	118,765,226	100
1916-17	38,986,873	19.3	2,850,121	1.4	17,938,345	8.9	120,953,222	60.0	18,125,566	9.0	201,636,704	100
1917-18	39,151,584	17.8	2,829,225	1.3	15,439,136	7.0	133,826,849	60.8	22,274,173	10.1	220,087,992	100
1918-19	46,310,646	15.3	7,908,717	2.6	19,466,221	6.4	190,256,710	62.7	31,370,430	10.3	303,630,376	100
1919-20	45,827,949	13.6	7,580,654	2.2	22,067,748	6.6	213,255,069	63.4	38,981,562	11.6	336,555,563	100
1920-21	..	..	Not available.	..	..	..	†8,872,581	2.6	..	..	..	..

* See note * on page 94.

† See note * to Table 73 on page 122.

‡ Weekly wage earners assessed quarterly.

INCOME TAX AND SUPER-TAX.

Estimate for the year 1919-20 of the approximate distribution of the amounts of actual income, allowances, etc., among taxpayers, classified according to the amounts of their total incomes, together with the estimated number of incomes in each class, and the tax paid by each class.

EXPLANATORY NOTES.

1. The figures set out in Table 67 are partly estimated. In preparing the statement we have made use of all relevant information available to us, but elements which are incapable of accurate measurement have of necessity entered into the calculations.

In particular the available *data* for estimating the amount of non-personal income and of income accruing to residents abroad are inadequate, and the figure of £260,000,000 attributed to these items (*vide* the foot of Column 2 of the Table) must be regarded as subject to a considerable margin of error. The constituents of the figure are stated in Note 10.

2. *Year.*—The Table relates to income assessed to Income Tax in the year 1919-20, whether actually assessable for that year or for an earlier year. It does not include income assessable for the year 1919-20 but remaining unassessed at the end of that year. The amount thus carried forward from one year to another is, however, relatively small and fairly constant.

3. *Income.*—The income dealt with is income as computed for purposes of Income Tax and is therefore in part computed by reference to the income of the year and in part by reference to the income of the preceding year or of an average of preceding years. The income dealt with does not, therefore, correspond with the *real* income of taxpayers received in the year.

4. (Columns 1a and 1b.)

Number of Incomes.—The total of the two columns (1a and 1b) represents the estimated number of individuals with incomes in each class and is divided in order to show:—

(a) The number of individuals who, although in receipt of incomes above the limit of exemption, were entirely relieved from Income Tax by the operation of the personal allowances—for example, a married man with a wife and three children under 16 years of age would pay no tax if his total income did not exceed £260, the whole being covered by allowances as follows:—

				£
Abatement	..	..	..	120
Wife	..	..	..	50
3 Children	..	..	..	90
				<hr/>
Total Allowances	..	..	..	260
				<hr/>
Balance to be taxed	..	..	..	Nil.

(b) The number of individuals actually paying tax.

The class with incomes exceeding £130 but not exceeding £160 does not include soldiers, sailors, merchant seamen, &c., having incomes within those limits, as they were entitled to the pre-war limit of exemption, viz., £160, and are consequently excluded from review.

5. (Column 2.)

"Actual" Income.—Subject to the foregoing explanations this represents, broadly speaking, the total net income of the classes above the exemption limit of £130 after eliminating all expenses incurred in earning it, but before consideration of abatements and personal allowances.

6. (Column 3.)

Abatements and Personal Allowances.—In 1919–20 these were as follows:—

(a) Abatements.

Income.		Amount allowed as abatement.	
Exceeding	Not Exceeding	Soldiers, Sailors, &c.	Other Taxpayers.
£	£	£	£
130	300	160	120
300	400	120	120
400	600	100	100
600	700	70	70

(b) Insurance premiums on the life of the taxpayer or of his wife, within a limit, generally speaking, of one-sixth of the total income.

(c) An allowance of £50 for a wife, and in certain cases for a housekeeper, and of £25 for certain dependent relatives, where the total income of the taxpayer did not exceed £800.

(d) An allowance of £40 for one child and of £25 for each remaining child (including adopted children) under 16 years of age where the total income did not exceed £800, with similar allowances for every such child beyond the first two if the income, while exceeding £800, did not exceed £1,000. The allowance was also granted for children over 16 years of age when they were receiving full-time instruction at an approved educational establishment.

7. (Column 4.)

Net Income paying Tax.—This is the income on which tax is finally levied after all the allowances due have been deducted.

8. (Column 5.)

Net Produce of Income Tax.—This is the amount of tax actually levied on the income in the previous column. It is somewhat smaller than the figure that would be produced by calculating the tax on the income at the appropriate rates in force for the year 1919–20 for the following reasons :—

- (a) Some of the assessments made in the year relate to liabilities for earlier years charged at lower rates. (See Note 2 above.)
- (b) Income which has suffered Dominion Income Tax is allowed a corresponding relief (up to a maximum of 2s. 6d. in the £) from British Income Tax.
- (c) Incomes slightly above any limit at which the rate of tax alters or allowances cease are granted such relief as will obviate the possessor of the income being made poorer by payment of the tax than the man with an income which only just reaches the limit.

9. (Column 6.)

Net Produce of Super-tax, 1920–21.—Super-tax (payable by individuals whose total incomes exceed £2,000) is computed for any year by reference to the Income Tax income of the preceding year. Consequently, the actual income shown in Column 2, which, subject to the reservation explained in Note 2 above, is assessable to Income Tax for the year 1919–20, will not be assessable to Super-tax until the following year, 1920–21. Broadly speaking, therefore, the statement indicates that 89,620 individuals resident in the United Kingdom with an aggregate actual income of £540,700,000 should be assessed to Super-tax in the year 1920–21. Even allowing for normal annual growth, these figures are unlikely to be realised. The anticipated deficiency, except so far as accounted for by a margin of error in the estimate, is attributable to the leakage which is inherent in a system of direct assessment as opposed to a system of collection of duty at the source. This deficiency is additional to a loss of Super-tax which occurs through the non-distribution of companies' profits or their distribution in a form other than income. Such profits are included in the £260,000,000 "Other Income" at the foot of Column 2 of the Table.

10. "*Other Income*," viz., Non-personal Income and income accruing to non-residents :

The income under this head is made up of the following items:—

- (i) That part of the actual income of companies which, though charged to Income Tax, is not distributed to the shareholders in dividends, but is retained for the purpose of increasing reserves, &c. (This item accounts for two-thirds of the total.)
 - (ii) The income from the invested funds of insurance companies retained to meet future liabilities.
 - (iii) Income distributed to residents out of the United Kingdom, including not only dividends and interest but also profits arising from trading in the United Kingdom by foreign firms, &c.
 - (iv) Other items, such as income of clubs, corporations, &c.
-

2,000	2,500	—	—	24,870	24,870	54,701,849	1,399,526	53,302,323	15,127,906	255,000	15,382,906
2,500	5,000	—	—	37,760	37,760	180,030,000	2,390,000	127,640,000	37,940,000	5,040,000	42,980,000
5,000	10,000	—	—	16,720	16,720	114,370,000	1,500,000	113,370,000	33,700,000	11,475,000	45,175,000
10,000	15,000	—	—	4,850	4,850	58,650,000	700,000	57,950,000	17,230,000	9,020,000	26,250,000
15,000	20,000	—	—	2,043	2,043	35,005,000	400,000	34,605,000	10,300,000	6,220,000	16,520,000
20,000	25,000	—	—	892	892	22,022,000	240,000	21,782,000	6,475,000	4,250,000	10,725,000
25,000	30,000	—	—	650	650	17,680,000	180,000	17,500,000	5,205,000	3,615,000	8,820,000
30,000	40,000	—	—	685	685	23,471,000	207,000	23,264,000	6,915,000	5,135,000	12,050,000
40,000	50,000	—	—	390	390	17,333,000	139,000	17,194,000	5,110,000	4,040,000	9,150,000
50,000	75,000	—	—	358	358	21,467,000	166,000	21,301,000	6,330,000	5,270,000	11,600,000
75,000	100,000	—	—	137	137	11,782,000	82,000	11,700,000	3,480,000	2,990,000	6,470,000
100,000	—	—	—	165	165	33,690,000	226,000	33,464,000	9,950,000	9,190,000	19,140,000
TOTAL	2,000	—	—	89,620	89,620	540,701,849	7,629,526	533,072,323	157,762,906	66,500,000	224,262,906
TOTALS (income distributed amongst individuals).	3,900,000	3,900,000	3,900,000	7,800,000	7,800,000	2,267,179,823	1,130,956,567	1,156,223,256	259,755,563	66,500,000	326,255,563
Other income (see Note 10).	—	—	—	—	—	260,000,000	—	260,000,000	76,900,000	—	76,900,000
GRAND TOTAL	3,900,000	3,900,000	3,900,000	7,800,000	7,800,000	2,547,179,823	1,130,956,567	1,416,223,256	336,555,563	66,500,000	403,055,563

* In the case of incomes exceeding £1,000 the only allowance is for Life Insurance premiums. None of these allowances is made for the purposes of Super-tax.

† By "Net Produce" is meant the estimated yield of the tax assessed in the year irrespective of the date of actual collection. It does not, therefore, correspond with the amount of tax paid into the Exchequer in the financial year.

The "Net Produce" of the Super-tax is the estimated amount that will actually be received for the year 1920-21 (see Explanatory Note 9). The net produce for this year is given in conjunction with the net produce of the Income Tax for the preceding year 1919-20 because the Super-tax is charged on the Income Tax income of the preceding year.

We have from time to time furnished estimates of the total numbers of taxpayers in the Income Tax area, and the figures for each year since 1913-14 are summarised in the Table below. The increase in the numbers is mostly to be attributed to the rise in profits and wages during the war. It will be observed that part of the increase is due to the lowering of the exemption limit from £160 to £130 in 1915-16, but the Table distinguishes the growth due to this factor, so that a clear comparison can be made in respect of incomes exceeding £160 per annum.

TABLE 68.—SHOWING THE ESTIMATED NUMBER OF INDIVIDUALS WITH TOTAL INCOMES ABOVE THE EXEMPTION LIMIT.

Year.	Number of Incomes.		Total Number of Incomes.		
	Exceeding £130 but not exceeding £160.	Exceeding £160.	Entirely relieved from tax by the operation of abatements and allowances.	Chargeable with tax.	Total.
1913-14 ..	Not available	1,200,000	70,000	1,130,000	1,200,000
1914-15 ..	Not available	1,240,000	100,000	1,140,000	1,240,000
1915-16 ..	180,000*	1,300,000	120,000	1,360,000	1,480,000
1916-17 ..	1,467,000	1,797,000	1,080,000	2,184,000	3,264,000
1917-18 ..	2,157,000	2,319,000	1,520,000	2,956,000	4,476,000
1918-19 ..	2,665,000	3,082,000	2,200,000	3,547,000	5,747,000
1919-20 ..	3,490,000	4,310,000	3,900,000	3,900,000	7,800,000

* This small number is due to the fact that the new exemption limit of £130 was enacted in 1915-16, at a date too late to enable the Department to make complete assessments on the new range of income.

The figures in the foregoing table are based upon the final statistics for the years of assessment shown. Similar information is not yet available for the years 1920-21 and 1921-22, but estimates of the total number of individuals with incomes exceeding the new exemption limit have been prepared and are as follows :—

Year.	Entirely relieved from tax by the operation of allowances and deductions.	Chargeable with tax.	Total.
1920-21	3,250,000	2,750,000	6,000,000
1921-22	2,600,000	2,400,000	5,000,000

These estimates are necessarily provisional and will be revised in due course. As explained in paragraph 9 on page 82, the

effective limit of exemption from tax under the new system of differentiation and graduation is here treated as lying between £135 and £150 according to the proportions in which the actual income consists of earned and investment income. For the year 1920-21 and subsequently it is thus not possible to distinguish the number of taxpayers in the range of income from £130 to £160.

In the following pages we proceed to give a more detailed classification of the Income Tax Assessments in the year 1919-20.

SCHEDULE A.

INCOME FROM THE OWNERSHIP OF LANDS, HOUSES, &c.

Under this head is included the annual value of every description of property in the nature of realty that can be brought into valuation. Annual value for the purposes of Schedule A of the Income Tax is determined periodically, and the value thus fixed is continued, subject to the qualifications stated below, during the intervening years. In the administrative county of London, annual value follows the valuation made quinquennially under the Metropolis (Valuation) Act, 1869. In that area, new assessments were made in 1916 and 1921. In the Rest of Great Britain, owing to the pressure of work caused by the war, no general re-assessment has been made since 1910. In both areas, the annual value fixed at the periodic date is subject to increase in the case of structural alterations to a property, and new properties are brought into assessment at their appropriate annual values. In the Rest of Great Britain, reductions of annual value are made, on proof that the annual value has diminished. It should be borne in mind that there are certain classes of property which are not subjected to valuation for Income Tax purposes, viz. :—Property vested in *and* in the occupation of the Crown, Cathedrals, Churches, &c. Further, it should be pointed out that although railways, mines, gasworks, waterworks, &c., are largely in the nature of real property, the profits therefrom appear under Schedule D, " Profits from Businesses, Professions, Employments, &c." (see page 126). It may be observed that the gross income represents the annual value before any statutory allowances or deductions are made. The total therefore includes the annual value of property the owners of which are exempt from Income Tax on the ground of their total incomes from all sources not exceeding £130 per annum. The annual value of property relieved from duty on this ground was in 1919-20 £30,165,551. Further, it includes, *inter alia*, the annual value of Colleges and Halls in Universities, Hospitals, Public Schools, Almshouses, &c., which are specially exempted.

The assessments are divided into three classes, viz. :—

(1) LANDS (INCLUDING RENTCHARGES UNDER TITHES COMMUTATION ACT, FARMHOUSES, FARM BUILDINGS, &c.).

Under this head appears the annual value (inclusive of tithe rentcharges under the Tithe Commutation Act) of farm lands and buildings, farmhouses occupied by tenant farmers or farm servants, orchards, woodlands, lakes, &c., and any gardens or pleasure grounds held with mansions or houses, in excess of one acre adjoining such properties. The value of such gardens or pleasure grounds up to one acre in extent is excluded from this head, and included under the head (2) "Houses, &c."; farmhouses of annual value of £20 or upwards *not* occupied (as above) by tenant farmers or farm bailiffs are also excluded, and appear under head (2) "Houses, &c."

(2) HOUSES, MESSUAGES, TENEMENTS, &c.

Subject to the under-mentioned exceptions this head comprises the annual value (including that of their sites) of all private dwelling-houses, houses used partly as dwellings and partly for trade purposes, business premises, warehouses, &c. Farmhouses are not included, except those of an annual value of £20 and upwards which are occupied by persons other than tenant farmers, or farm servants; nor are farm buildings, or buildings belonging to and used for the purposes of railways, mines, gasworks, waterworks, and other particular properties of a less important character described in No. III, Schedule A. In the case of mansions or houses the valuation includes the value of any gardens or pleasure grounds held therewith up to one acre in extent—the value of any such gardens, &c., in excess of one acre being included under head (1) "Lands." The annual value of business premises, warehouses, &c., includes that of any small parcels of land proper thereto.

(3) OTHER PROPERTY.

This embraces the annual value of certain tithes (not being Tithe Rentcharges under the Tithes Commutation Act) manorial rights, fines, certain sporting rights, and other small items.

TABLE 69.—INCOME FROM THE OWNERSHIP OF LANDS, HOUSES, &c. DETAILS OF THE ASSESSMENTS MADE IN THE YEAR 1919-20.

	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	£	£	£	£
GROSS INCOME—				
(1) Lands, including Rent-charges under Tithes Commutation Act, Farm-houses, Farm Buildings, &c.	36,680,000	5,575,000	9,685,000	51,940,000
(2) Houses, Messuages, Tenements, &c.	209,138,801	22,475,508	5,901,056	237,515,365
(3) Other Property— Manors, Fines, certain Tithes, certain Sporting Rights,* &c.	835,000	460,000	1,300	1,296,300
(a) †TOTAL GROSS INCOME ..	246,653,801	28,510,508	15,587,356	290,751,665
(b) Exemptions—				
Incomes not exceeding £130 a year	22,123,495	1,988,870	6,053,186	30,165,551
Charities, Colleges, Hospitals, Schools, Friendly Societies, &c.	8,510,000	943,330	387,800	9,841,130
(c) Reductions—				
Repairs, &c., Lands	6,053,966	1,011,815	1,243,701	8,309,482
Repairs, &c., Houses and Buildings	33,782,695	3,662,448	276,190	37,721,333
Empty Property	2,500,000	162,894	20,000	2,682,894
Other Reductions and Discharges	6,900,751	4,848,715	1,457,513	13,206,979
<i>Total (b) and (c) ..</i>	<i>79,870,907</i>	<i>12,618,072</i>	<i>9,438,390</i>	<i>101,927,369</i>
(d) ACTUAL INCOME [VIZ., GROSS INCOME (a), LESS EXEMPTIONS (b), AND REDUCTIONS (c)] ..	166,782,894	15,892,436	6,148,966	188,824,296
(e) Allowances from Actual Income—				
Abatements—				
£120 on Incomes exceeding £130 and not exceeding £400	7,744,035	712,940	420,320	8,877,295
£100 on Incomes exceeding £400 and not exceeding £600	1,000,800	96,187	35,044	1,132,031
£70 on Incomes exceeding £600 and not exceeding £700	202,000	17,994	6,142	226,136
Life Insurance Premiums	870,488	81,443	30,674	982,605
Relief in respect of Children	1,051,000	37,700	63,581	1,152,281
Relief in respect of Wife or Housekeeper	1,032,800	46,760	58,544	1,138,104
Relief in respect of Dependent Relatives	62,000	3,104	3,260	68,364
<i>Total (e) ..</i>	<i>11,963,123</i>	<i>996,128</i>	<i>617,565</i>	<i>13,576,816</i>
(f) INCOME ON WHICH TAX WAS RECEIVED [VIZ., ACTUAL INCOME (d), LESS ALLOWANCES (e)] ..	154,819,771	14,896,308	5,531,401	175,247,480
(g) NET PRODUCE OF TAX ..	40,527,135	3,944,268	1,356,546	45,827,949

* In addition, certain Sporting Rights, &c., are assessed under Schedule D.
† The appropriation of this total to items (1), (2) and (3) is approximate. Actual figures are not available.
The notes to Table 60 should be read with the corresponding items in Table 69.

TABLE 70.—SHOWING FOR THE UNITED KINGDOM THE DISTRIBUTION OF THE GROSS INCOME, REVIEWED UNDER SCHEDULE A OF THE INCOME TAX, AS BETWEEN LANDS, HOUSES, AND OTHER PROPERTY.

Year.	Lands, &c.	Houses, &c.	Other Property.	Total.
	£	£	£	£
1910-11*†	52,294,614	222,233,301	1,294,998	275,822,913
1911-12‡	52,219,676	223,813,446	1,297,210	277,330,332
1912-13	52,238,213	225,990,598	1,307,585	279,536,396
1913-14	52,284,250	228,638,670	1,339,189	282,262,109
1914-15	52,266,269	231,462,637	1,301,396	285,030,302
1915-16	52,045,000	232,844,217	1,296,300	286,185,517
1916-17‡	52,045,000	234,600,333	1,296,300	287,941,633
1917-18	52,000,000	235,051,205	1,296,300	288,347,505
1918-19	51,980,000	235,422,757	1,296,300	288,699,057
1919-20	51,940,000	237,515,365	1,296,300	290,751,665

* See note * on page 94.

† Year of new assessment except for the Metropolis.

‡ Year of new assessment in the Metropolis.

NEW BUILDINGS.

1. The following table contains a classification of new buildings brought into assessment to income tax, Schedule A, for the first time in the year ended 5th April, 1920. Information as to the erection of new buildings is mainly derived from extracts taken from the rates to the poor, which are normally made half-yearly; the assessments here tabulated relate to buildings first rated to the poor in the rates of Lady Day and Michaelmas 1919, that is, broadly speaking, to buildings completed in the year ended Michaelmas, 1919.

2. Cases of structural alterations to or improvements of buildings assessed to income tax prior to 1919-20 have been excluded from the table.

3. Where a building came within two or more of the classes shown, an approximate division has been made.

4. Where a block of separate flats or dwellings was assessed as one building in one sum, the analysis has been made, wherever possible, by reference to each separate flat or dwelling.

TABLE 71.—NUMBERS AND ANNUAL VALUE OF NEW BUILDINGS (EXCLUSIVE OF CASES OF STRUCTURAL ALTERATION) ASSESSED TO INCOME TAX, SCHEDULE A, FOR THE FIRST TIME IN THE YEAR ENDED 5TH APRIL, 1920.

Class.	ENGLAND.				SCOTLAND.				GREAT BRITAIN.				
	Houses of the gross annual value of:				Houses of the gross annual value of:				Houses of the gross annual value of:				
	Under £20.	£20 and under £40.	£40 and under £60.	£60 and over.	Under £20.	£20 and under £40.	£40 and under £60.	£60 and over.	Under £20.	£20 and under £40.	£40 and under £60.	£60 and over.	
1. Dwelling-houses—including Flats, "Separate Dwellings" and Alms-houses	36,434 3,011	39,362 1,604	10,831 230	15,645 134	4,884 449	4,937 177	306 7	—	9,297 633	41,088 3,460	43,719 1,631	10,837 237	15,645 134
2. Shops—Residential	412 39	1,356 50	1,358 23	2,541 22	16 2	25 1	—	—	41 3	429 41	1,381 51	1,358 23	2,541 22
3. Shops—Lock-up	1,002 104	1,487 56	2,041 36	7,340 40	114 10	133 4	—	70 1	317 15	1,116 114	1,630 59	2,041 35	7,410 41
4. Hotels, Inns, Coffee-houses and Lodging-houses	83 6	106 4	182 4	5,404 7	—	35 1	—	—	35 1	89 6	141 6	182 4	5,404 7
5. Farmhouses and Farm Buildings (the gross rating has been adopted as a basis where the Schedule A assessment included land)	..	..	..	.. Nos.	..	..	..	..	67 15	..	..	..	..
6. Places of Entertainment (theatres, cinemas, balls, &c.)	..	..	..	.. Nos.	..	..	..	..	882 8	..	..	..	..
7. Schools and Hospitals (including school houses and residential parts unless separately rated)	..	..	..	.. Nos.	..	..	..	..	529 4	..	..	..	..
8. Factories, Warehouses, Mills, Offices and other premises or parts thereof not used as dwellings (except by a caretaker) and not included above	..	..	..	.. Nos.	..	..	..	..	11,653 390	..	..	..	..
TOTALS	411,336 8,666	..	..	..	22,821 1,070	..	..	..	22,821 1,070	..	..	..	..
TOTALS	..	..	..	..	11,653 390	..	..	..	11,653 390	..	..	..	..
TOTALS	..	..	..	..	1,540 136	..	..	..	1,540 136	..	..	..	..
TOTALS	..	..	..	..	6,222 75	..	..	..	6,222 75	..	..	..	..
TOTALS	..	..	..	..	13,312 64	..	..	..	13,312 64	..	..	..	..
TOTALS	..	..	..	..	5,810 22	..	..	..	5,810 22	..	..	..	..

SCHEDULE B.

PROFITS FROM THE OCCUPATION OF LANDS, &c. (FARMERS' PROFITS MAINLY).

The figures under this head embrace the profits from the occupation of lands (assumed by law to be twice the annual value in the case of lands used for husbandry, and equal to the annual value in other cases, *e.g.*, parks, &c.), and the profits of Nurseries and Market Gardens which, though assessable under Schedule B, are estimated according to the Rules of Schedule D.

As under Schedule A, the gross profits include incomes belonging to persons exempt from Income Tax as having total incomes not exceeding £130 per annum. The amount relieved from duty on this ground was for the year 1919-20, £25,873,542. The Table does not include the figures relating to the cases in which farmers elected to be assessed under Schedule D. (*See* Table 74.)

Woodlands are normally included for assessment under Schedule B, but if any person occupying woodlands proves that they are being managed by him on a commercial basis with a view to the realisation of profits, he may elect, subject to certain conditions, to be charged to Income Tax in respect of the occupation thereof under Schedule D, instead of under Schedule B. In that case the profits from the occupation are calculated for assessment under Schedule D in the same manner as profits arising from a trade. The profits assessed in such cases are included under Schedule D.

TABLE 72.—DETAILS OF THE ASSESSMENTS MADE IN THE YEAR 1919-20.

	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	£	£	£	£
(a) GROSS INCOME—				
Assumed Profits from the occupation of Lands (<i>ie.</i> , twice the "Annual Value" with certain exceptions)	70,000,000	10,650,000	18,300,000	98,950,000
Profits of Nurseries and Market Gardens (estimated according to the Rules of Schedule D)				
(b) Exemptions—				
Incomes not exceeding £130 a year	11,821,732	1,463,471	12,588,339	25,873,542
Charities, &c.	10,000	—	—	10,000
(c) Reductions—				
Empty Property	20,000	—	—	20,000
Other Reductions and Discharges	7,039,083	573,207	1,346,840	8,959,130
Total (b) and (c) ..	18,890,815	2,036,678	13,935,179	34,862,672

(Table continued on next page.)

SCHEDULE B—*contd.*TABLE 72.—DETAILS OF THE ASSESSMENTS MADE IN THE YEAR 1919-20—*contd.*

	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	£	£	£	£
(d) ACTUAL INCOME [VIZ., GROSS INCOME (a), LESS EXEMPTIONS (b), AND REDUCTIONS (c)]	51,109,185	8,613,322	4,364,821	64,087,328
(e) Allowances from Actual Income—				
Abatements—				
£120 on Incomes exceeding £130 and not exceeding £400	11,210,483	1,509,449	1,404,807	14,124,739
£100 on Incomes exceeding £400 and not exceeding £600	1,792,853	263,078	124,959	2,180,890
£70 on Incomes exceeding £600 and not exceeding £700	341,998	49,673	19,656	411,327
Life Insurance Premiums ..	1,025,994	167,719	107,335	1,301,048
Relief in respect of Children	3,490,554	504,847	330,731	4,326,132
Relief in respect of Wife or Housekeeper	3,594,320	492,070	263,524	4,349,914
Relief in Respect of Dependent Relatives	122,825	17,738	11,219	151,782
Total (e)	21,579,027	3,004,574	2,262,231	26,845,832
(f) INCOME ON WHICH TAX WAS RECEIVED [VIZ., ACTUAL INCOME (d), LESS ALLOWANCES (e)]	29,530,158	5,608,748	2,102,590	37,241,496
(g) NET PRODUCE OF TAX	5,886,240	1,156,421	507,993	7,550,654

The notes to Table 60 should be read with the corresponding items in Table 72.

TABLE 73.—SHOWING FOR THE UNITED KINGDOM THE GROSS INCOME FROM THE OCCUPATION OF LANDS, &C.

Year.	Assumed Profits from the occupation of Lands. (See Note*.)	Profits of Nurseries and Market Gardens (estimated according to the Rules of Schedule D and charged under Schedule B.)	Total.
	£	£	£
1910-11	17,081,659	357,301	17,438,960
1911-12	17,097,036	360,763	17,457,799
1912-13	17,104,699	329,892	17,434,591
1913-14	17,134,427	365,786	17,500,213
1914-15	17,185,631	365,000	17,550,631
1915-16	Not available.		51,490,000
1916-17	Not available.		51,480,000
1917-18	Not available.		51,230,000
1918-19	Not available.		98,800,000
1919-20	Not available.		98,950,000

* The profits were assumed to be as follows :—Up to 1914-15, equal to one-third of the annual value ; 1915-16, 1916-17, and 1917-18, equal to the full annual value ; 1918-19, 1919-20 and 1920-21, equal to twice the annual value with certain exceptions.

TABLE 74.—NUMBER OF FARMERS WHO ELECTED TO BE ASSESSED TO INCOME TAX UNDER SCHEDULE D, AND THE GROSS AMOUNT OF PROFITS ASSESSED UNDER THAT SCHEDULE.

Year.	Number of Farmers who elected to be assessed under Schedule D.	Rental value of the Lands occupied by such Farmers.	Amount that would have been assessed under Schedule B. on statutory basis.	GROSS AMOUNT OF PROFITS ASSESSED UNDER SCHEDULE D.			
				United Kingdom.	United Kingdom.	United Kingdom.	England.	Scotland.	Ireland.	United Kingdom.
		£	£	£	£	£	£
1910-11 ..	348	142,650	47,553	19,120	131	—	19,251
1911-12 ..	364	126,399	42,133	11,555	279	—	11,834
1912-13 ..	322	122,583	40,861	21,284	250	—	21,534
1913-14 ..	332	124,059	41,353	12,727	314	—	13,041
1914-15 ..	330	120,000	40,000	12,114	390	57	12,561
1915-16 ..	1,259	367,010	367,010	87,000	33,151	105	120,256
1916-17 ..	1,500†			Not available.			
1917-18 ..	1,500†			Not available.			
1918-19 ..	2,700†	Not available.		696,621	119,923	21,919	638,463
1919-20 ..	2,017	624,810	1,249,620	657,353	118,742	31,201	807,296

† Approximate.

SCHEDULE C.

INCOME FROM BRITISH, DOMINION AND FOREIGN GOVERNMENT SECURITIES WHERE SUCH INCOME IS TAXED BY DEDUCTION AT THE SOURCE.

The gross income assessed represents the Income actually charged in the first instance with the tax. The interest of Government Holdings, and of certain Official Charitable Funds, &c., is not included, being specifically exempt from charge.

Where the interest on War Stocks, &c., is paid in full without deduction of tax, the amount received is assessable on the recipient, if liable, in the following year, under Case 3 of Schedule D. Interest so assessed is included in the Gross Income reviewed under that Schedule.

TABLE 75.—DETAILS OF THE ASSESSMENTS MADE IN THE YEAR 1919-20.

	TOTAL UNITED KINGDOM.
(a) GROSS INCOME—	£
Funded Debt and Terminable Annuities, including Life Annuities	6,105,046
Unfunded Debt, including interest on War Securities (Stocks and Bonds) taxed by deduction at the source	46,545,926
Guaranteed 2½ per cent. Land Stock, Guaranteed 2½ and 3 per cent. Stocks, and Local Loans Stock	1,906,976
India Government Stocks and Loans	4,800,118
Indian Guaranteed Railways	4,625,884
Dominion Government Funds	18,788,410
Foreign	7,690,164
TOTAL GROSS INCOME	90,462,524
(b) Exemptions—	
Incomes not exceeding £130 a year	1,157,333
Charities, Friendly Societies, &c.	1,377,500
Dominion or Foreign Dividends belonging to persons not resident in the United Kingdom	2,013,640
(c) Reductions—	
Reductions and Discharges	3,802,437
<i>Total (b) and (c)</i>	<i>8,350,910</i>
(d) ACTUAL INCOME [i.e., GROSS INCOME (a), LESS EXEMPTIONS (b), AND REDUCTIONS (c)]	82,111,614
(e) Allowances from Actual Income—	
Abatements of £120 on Incomes exceeding £130 and not exceeding £400	1,546,000
Abatements of £100 on Incomes exceeding £400 and not exceeding £600	267,284
Abatements of £70 on Incomes exceeding £600 and not exceeding £700	58,672
Life Insurance Premiums	254,143
Relief in respect of Children	101,717
" " Wife or Housekeeper	115,947
" " Dependent Relatives	11,180
<i>Total (e)</i>	<i>2,354,943</i>
(f) INCOME ON WHICH TAX WAS RECEIVED [VIZ., ACTUAL INCOME (d), LESS ALLOWANCES (e)]	79,756,671
(g) NET PRODUCE OF TAX	22,067,748

The notes to Table 60 should be read with the corresponding items in Table 75.

TABLE 77.—SHOWING IN A CONDENSED FORM THE INCOME TAX ASSESSMENTS ON THE INCOME FROM BRITISH, DOMINION AND FOREIGN GOVERNMENT SECURITIES.

Year.	British.	Dominions, &c.		Foreign.				Total.
		India.	Other Dominions	European	Asiatic.	African.	American	
	£	£	£	£	£	£	£	£
1910-11 ..	14,834,126	9,654,846	15,430,294	1,684,222	3,048,564	505,453	4,404,913	49,562,418
1911-12 ..	14,458,374	9,753,113	15,326,413	1,653,453	3,181,472	547,528	4,587,834	49,508,187
1912-13 ..	14,349,843	9,752,289	15,186,431	1,806,727	3,647,662	483,826	5,061,792	50,288,570
1913-14 ..	13,695,303	9,706,703	16,106,688	1,940,033	3,690,520	461,091	5,567,991	51,166,329
1914-15 ..	14,089,569	9,767,989	17,960,793	2,236,237	4,151,774	616,478	5,167,489	53,990,329
1915-16 ..	32,501,772	9,845,186	18,938,140	10,483,014				71,768,112
1916-17 ..	54,861,478	9,689,171	18,954,479	11,758,643				95,263,771
1917-18 ..	35,310,821	9,772,979	18,924,510	12,604,192				76,612,502
1918-19 ..	43,547,213	9,580,042	19,240,113	2,190,738	2,278,977	1,790	3,311,525	80,150,398
1919-20 ..	54,557,948	9,426,002	18,788,410	2,297,206	2,196,534	650	3,195,774	90,462,524

SCHEDULE D.

PROFITS FROM BUSINESSES, PROFESSIONS, EMPLOYMENTS (EXCEPT THOSE OF A PUBLIC NATURE DEALT WITH UNDER SCHEDULE E), AND CERTAIN INTEREST.

1. The profits assessed under Schedule D include the profits of trades, manufactures, adventures or concerns in the nature of trade, income from professions, employments or vocations (excluding employments of a public nature which are assessable under Schedule E), interest paid in full and assessable directly upon the recipient, including certain interest on British Government securities, income from Dominion and foreign securities and possessions (except that from Government securities assessable under Schedule C), and profits from other sources not dealt with under any other Schedule of the Income Tax Act.

2. Certain concerns carried on in the United Kingdom, which, although closely connected with land, are by the nature of their operations akin to trading concerns, *e.g.*, railways, mines, docks, &c., are assessable under No. III of Schedule A, but chargeable according to the rules of Schedule D. Information as to their profits, &c., is therefore included in the following table.

3. Profits assessed under Schedule D are computed for the purpose of assessment under various bases, viz. :—

Basis of Assessment.	Profits or income to which the basis is applicable.
Year of assessment ..	Earnings of weekly wage-earners employed by way of manual labour.
..	Income from Dominion and foreign securities.
Preceding year	Profits of railways, ironworks, gasworks, canals, docks, &c. (Schedule A, No. III.)
..	Income from interest, discounts, &c., not taxed at the source, including certain interest on British Government securities.
Average of three preceding years.	Profits of trades, manufactures, &c.
..	Income from professions, employments (excluding the earnings of certain weekly wage-earners) and vocations.
..	Income from Dominion and foreign possessions.
Average of five preceding years.	Profits of coal mines, tin mines, iron mines, &c. (Schedule A, No. III.)

4. The "Gross Income" means the total profits and income brought into actual assessment, on the appropriate basis of computation. Broadly speaking, trade profits brought into this computation are the profits arising after restriction of the expenses deducted in arriving at the profits to those expenses which are incurred wholly and exclusively for purposes of the business, and are not prohibited by the Income Tax Acts. Any Excess Profits Duty which has been paid in respect of a business is allowed as an expense for income tax purposes. The gross income of weekly wage-earners represents the aggregate wages earned in the respective four quarters of the year under review, of those wage-earners whose earnings in the quarter exceeded one-quarter of the exemption limit, *e.g.* ($\frac{£130}{4} = £32\ 10s.$).

4

5. The amounts of gross income shown for this Schedule do not, as in the case of gross income reviewed under Schedules A, B, and C, include the profits or income of individuals whose total income falls below the exemption limit of £130, except in so far as such income is derived from taxed sources, or incidentally in the case of assessments made subject to adjustment.

6. The gross income brought into actual assessment is commonly subject to a certain amount of later adjustment, either by writing off some or all of the tax charged, or by repayment of tax. These adjustments, which arise mainly from reductions on appeal, double assessments and the allowance of reliefs in specified circumstances, some of which cannot emerge until after the making of the original charge, are included in the items under (b) and (c) in Table 79.

TABLE 78.—GROSS INCOME ASSESSED UNDER SCHEDULE D ON PERSONS, FIRMS, &C., IN THE YEAR 1919-20.

	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	£	£	£	£
Persons .. { Wages of Manual Wage- earners assessed quarterly	739,058,150	109,709,394	15,048,325	863,815,869
{ Other Assessments	291,621,456	35,539,914	9,688,967	336,850,337
Firms	121,827,248	19,223,118	3,114,606	144,164,972
Public Companies	559,904,085	68,850,363	14,640,179	643,394,627
Local Authorities	21,696,776	3,077,073	1,347,076	26,120,925
Bankers, Coupon Dealers, &c., deducting Tax on behalf of the Revenue.	46,418,540	340,837	85,730	46,845,107
TOTAL	1,780,526,255	236,740,689	43,924,883	2,061,191,837

TABLE 79.—DETAILS OF THE ASSESSMENTS MADE IN THE YEAR 1919-20.

	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	£	£	£	£
(a) GROSS INCOME—				
Trades, Professions and unclassified assessments	779,655,027	96,373,051	22,051,323	901,079,406
Employments assessed annually*	61,716,954	5,796,785	1,480,167	68,995,906
Gross Wages of Manual Wage-earners assessed quarterly	739,058,150	109,706,394	15,046,323	863,815,869
Railways in the United Kingdom	46,956,721	6,053,013	1,948,796	54,958,532
Railways out of the United Kingdom—				
(i) Assessed on Persons, Firms, and Public Companies	20,204,049	43	—	20,204,092
(ii) Assessed on Agents deducting tax on behalf of the Revenue	8,051,342	—	—	8,051,342
Coupons assessed on Agents deducting tax on behalf of the Revenue	22,964,630	325,242	84,257	23,374,129
† Dominion and Foreign Securities and Possessions—				
(i) Assessed on Agents deducting tax on behalf of the Revenue	15,402,568	15,595	1,473	15,419,636
(ii) Assessed on Persons, Firms, and Public Companies	17,140,884	2,261,303	401,018	19,803,185
Interest on War Securities not taxed by deduction at the source, deposit and other interest	68,718,597	13,085,531	2,676,316	84,682,444
Profits from the Occupation of Lands, where the farmer elected to be assessed under the rules of Schedule D	657,353	118,742	91,201	867,296
TOTAL GROSS INCOME	1,799,529,255	236,746,699	43,924,583	2,080,191,537
(b) Exemptions—				
Incomes not exceeding £130	17,867,110	3,055,610	873,791	21,296,511
Charities, Friendly Societies, &c.	4,133,330	1,024,810	441,167	5,599,307
Dominion or Foreign Dividends belonging to persons not resident in the United Kingdom	666,670	—	—	666,670
(c) Reductions—				
Allowances for Wear and Tear	44,895,173	5,132,685	1,236,706	51,264,766
Other Reductions and Discharges	156,209,729	16,275,157	3,673,680	176,158,566
Total (b) and (c)	223,272,012	25,488,462	6,225,346	254,985,820
(d) ACTUAL INCOME [i.e., GROSS INCOME (a), LESS EXEMPTIONS (b), AND REDUCTIONS (c)]—				
Wages of Manual Wage-earners	706,463,632	104,058,725	13,264,038	825,786,395
Other Assessments	848,790,611	107,193,512	24,433,499	980,419,622
TOTAL	1,557,254,243	211,252,237	37,697,537	1,806,204,017
(e) Allowances from Actual Income—				
Abatements of—				
£120 on Incomes exceeding £130 and not exceeding £400	429,381,522	67,343,696	11,064,630	507,820,248
£100 on Incomes exceeding £400 and not exceeding £600	11,018,936	1,460,556	434,638	12,914,130
£70 on Incomes exceeding £600 and not exceeding £700	1,965,699	243,410	76,190	2,307,299
Life Insurance Premiums	14,136,745	1,943,976	494,238	16,574,959
Relief in respect of Children	152,619,245	16,762,528	2,996,766	174,380,539
" " Wife or Housekeeper	149,391,396	17,656,419	2,736,737	169,984,552
" " Dependent Relatives	8,621,149	1,100,993	187,969	9,990,131
Total (e)	767,154,692	108,821,780	18,016,588	893,992,060
(f) INCOME ON WHICH TAX WAS RECEIVED [i.e., ACTUAL INCOME (d), LESS ALLOWANCES (e)]—				
Wages of Manual Wage-earners	67,557,405	11,226,101	429,660	79,226,166
Other Assessments	722,542,146	91,191,356	19,254,289	832,967,791
TOTAL	790,099,551	102,430,457	19,683,949	912,213,957
(g) NET PRODUCE OF TAX	192,492,256	24,971,208	4,664,186	222,127,656

The notes to Table 60 should be read with the corresponding items in Table 79.

* Excluding Employments of a public nature assessed under Schedule E.

† The term "Dominion" includes not only the self-governing Dominions but also India and British Possessions generally.

SCHEDULE E.

SALARIES OF GOVERNMENT, CORPORATION, AND PUBLIC
COMPANY OFFICIALS.

Under this schedule are assessed, not all salaries, but only the salaries of certain classes of officers, viz., those in the service of the Government, of Public Bodies, and of Public Companies. Employés of private firms and of private persons are, where liable, charged under Schedule D. (See page 128.)

The gross Income assessed represents the full salaries and emoluments of the officers concerned where the recipients have total incomes from all sources exceeding the exemption limit (£160 up to 1914-15 inclusive and £130 thereafter, except that in the case of soldiers, sailors, &c., with incomes not exceeding £300 per annum, the pre-war exemption limit of £160 continued to apply after the year 1914-15). The assessment is, generally speaking, based on the actual income for the year current. The conversion of private concerns into public companies is a factor constantly tending to increase the assessments under this Schedule and to diminish the assessments on employés under Schedule D.

TABLE 80.—SHOWING FOR THE UNITED KINGDOM THE NUMBERS OF ASSESSMENTS AND THE TOTAL GROSS INCOME ASSESSED TO THE INCOME TAX (SCHEDULE E) IN RESPECT OF SALARIES OF GOVERNMENT, CORPORATION AND PUBLIC COMPANY OFFICIALS.

Year.	Number of Assessments.	Total Gross Income.	Year.	Number of Assessments.	Total Gross Income.
		£			£
1910-11..	522,021	119,697,415	1915-16 ..	Not known.	180,893,074
1911-12..	549,116	127,189,253	1916-17 ..	Not known.	229,754,661
1912-13..	585,242	135,608,165	1917-18 ..	Not known.	265,641,713
1913-14..	623,657	145,620,034	1918-19 ..	1,530,000†	348,054,803
1914-15..	679,243	157,253,770	1919-20 ..	1,770,000†	429,248,010

† Approximate.

TABLE 81.—DETAILS OF THE ASSESSMENTS MADE IN THE YEAR 1919-20.

	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
(a) GROSS INCOME—				
(i) "Government Officials"*	£ 65,700,000	£ 648,000	£ 1,440,000	£ 67,788,000
(ii) Corporation and Public Company Officials. . .	309,805,504	32,956,600	13,477,906	356,240,010
(iii) Officials assessed under Schedule E and not included in (i) or (ii)*	4,500,000	—	720,000	5,220,000
TOTAL GROSS INCOME	380,005,504	33,604,600	15,637,906	429,248,010
(b) Exemptions— Incomes not exceeding £130	624,000	42,960	29,400	696,360
(c) Reductions— Reductions, Discharges, &c.	20,487,260	1,209,017	904,805	22,601,082
<i>Total (b) and (c) . . .</i>	<i>21,111,260</i>	<i>1,251,977</i>	<i>934,205</i>	<i>23,297,442</i>
(d) ACTUAL INCOME [VIZ., GROSS INCOME (a), LESS EXEMPTIONS (b), AND REDUCTIONS (c)] . . .	358,894,244	32,352,623	14,703,701	405,950,568
(e) Allowances from Actual Income— Abatements of—				
£120 on Incomes exceeding £130 and not exceeding £400 . . .	100,188,352	9,905,259	4,380,736	114,474,347
£100 on Incomes exceeding £400 and not exceeding £600 . . .	9,515,331	858,057	390,628	10,764,016
£70 on Incomes exceeding £600 and not exceeding £700 . . .	1,515,457	131,095	65,300	1,711,852
Life Insurance Premiums	7,926,868	836,414	481,833	9,245,115
Relief in respect of Children . . .	22,005,216	2,079,861	1,233,814	25,318,891
Relief in respect of Wife or Housekeeper . . .	27,256,499	2,543,028	1,063,970	30,863,497
Relief in respect of Dependent Relatives . . .	1,563,823	155,758	89,617	1,809,198
<i>Total (e)</i>	<i>169,971,546</i>	<i>16,509,472</i>	<i>7,705,898</i>	<i>194,186,916</i>
(f) INCOME ON WHICH TAX WAS RECEIVED [VIZ., ACTUAL INCOME (d), LESS ALLOW- ANCES (e)]	188,922,698	15,843,151	6,997,803	211,763,652
(g) NET PRODUCE OF TAX . .	34,756,684	2,959,445	1,265,433	38,981,562

* Generally, the heading "Government Officials" includes assessments made in respect of payments out of voted monies or charged upon the Consolidated Fund. Head (iii) comprises in England, assessments at the India Office, the London Offices of Dominion Governments, the Bank of England, Trinity House, the Ecclesiastical Commission, Queen Anne's Bounty Office, &c., and in Ireland at the Offices of the Representative Body of the Church of Ireland, at the Bank of Ireland, the Registry of Petty Sessions Clerks, the Irish Lights Commission, and the Dublin Port and Docks Board.

The notes to Table 60 should be read with the corresponding items in Table 81.

INCOME TAX REPAYMENTS.

TABLE 82.—ANALYSIS FOR THE UNITED KINGDOM OF THE REPAYMENTS OF INCOME TAX MADE IN EACH YEAR.

Years.	Exemptions in respect of Small Incomes.	Abate-ments.	Life Insurance Premiums.	Charities, Hospitals, Friendly Societies, &c.	Dominion or Foreign Dividends belonging to Persons not resident in the United Kingdom.	Other Heads (including relief in respect of unearned income).	Total.
			NUMBERS.				
1910-11	375,508	121,529	21,856	14,876	11,652	68,530	613,951
1911-12	404,746	129,491	25,585	15,579	13,634	55,066	644,101
1912-13	400,091	130,837	24,489	16,434	9,159	54,036	635,046
1913-14	406,839	131,229	24,691	15,011	9,533	54,280	641,583
1914-15	414,158	134,522	24,942	14,943	6,408	63,835	658,808
1915-16	462,085	138,486	25,005	17,162	5,718	190,259	838,715
1916-17	551,805	195,921	32,902	21,253	6,354	283,661	1,091,916
1917-18	570,037	233,456	37,929	23,718	7,565	413,029	1,285,734
1918-19	532,130	234,174	37,970	23,580	7,529	439,618	1,275,001
1919-20	531,872	288,408	39,797	23,688	7,547	602,865	1,498,177
1920-21			Not available.				

AMOUNTS REPAID.

	£	£	£	£	£	£	£
1910-11	974,904	907,782	105,560	423,278	117,927	421,176	2,950,627
1911-12	1,087,388	1,032,215	129,501	431,057	120,733	521,114	3,322,008
1912-13	1,081,518	1,043,688	122,423	484,774	94,855	571,998	3,399,256
1913-14	1,075,422	1,039,416	128,767	480,853	98,673	558,971	3,362,102
1914-15	1,093,483	1,072,069	144,185	516,934	101,039	622,385	3,550,095
1915-16	1,490,106	1,264,869	179,678	685,399	155,438	2,098,316	5,873,806
1916-17	2,470,360	2,205,322	343,189	1,440,818	317,445	9,145,686	15,922,620
1917-18	3,968,082	2,901,527	537,761	2,192,541	516,800	13,753,581	23,870,292
1918-19	4,220,855	2,942,864	551,073	2,546,191	672,807	16,133,856	27,067,646
1919-20	4,703,120	3,287,983	585,637	2,948,415	800,996	23,664,452	35,990,603
1920-21	4,960,009	3,671,753	679,337	3,064,743	804,092	28,971,987	42,151,921

Note.—The repayments made in any one year are in the main applicable to the preceding year's assessments, and the income corresponding to the repayments of tax is included in the total deductions from gross income shown in the various Income Tax Tables.

SUPER-TAX.

In addition to the Income Tax described on pages 79 *et seq.*, Super-tax was charged at the rates shown in the following table:—

TABLE 83.—RATES OF SUPER-TAX.

Year.	Incomes Chargeable.	Rates of Super-tax.
1900-10 to 1913-14 }	Exceeding £5,000 ..	6d. for every £1 of the amount by which the total income exceeded £3,000.
1914-15 ..	Exceeding £3,000 ..	In respect of the first £2,500 of the income .. Nil. " the excess over £2,500— For every £1 of the first £500 of the excess (to £3,000) 0 6½* " £1 of the next £1,000 of the excess (" £4,000) 0 9½* " £1 " " £1,000 " " (" £5,000) 1 0* " £1 " " £1,000 " " (" £6,000) 1 2½* " £1 " " £1,000 " " (" £7,000) 1 5½* " £1 " " £1,000 " " (" £8,000) 1 8* " £1 " " remainder " " (above £8,000) 1 9¼*
1915-16 1916-17 1917-18 }	Exceeding £3,000 ..	In respect of the first £2,500 of the income .. Nil. " the excess over £2,500— For every £1 of the first £500 of the excess (to £3,000) 0 10 " £1 of the next £1,000 of the excess (" £4,000) 1 2 " £1 " " £1,000 " " (" £5,000) 1 6 " £1 " " £1,000 " " (" £6,000) 1 10 " £1 " " £1,000 " " (" £7,000) 2 2 " £1 " " £1,000 " " (" £8,000) 2 6 " £1 " " £1,000 " " (" £9,000) 2 10 " £1 " " £1,000 " " (" £10,000) 3 2 " £1 " " remainder " " (above £10,000) 3 6
1918-19 1919-20 }	Exceeding £2,500 ..	In respect of the first £2,000 of the income .. Nil. " the excess over £2,000— For every £1 of the first £500 of the excess (to £2,500) 1 0 " £1 of the next £500 " " (" £3,000) 1 6 " £1 " " £1,000 " " (" £4,000) 2 0 " £1 " " £1,000 " " (" £5,000) 2 6 " £1 " " £1,000 " " (" £6,000) 3 0 " £1 " " £2,000 " " (" £8,000) 3 6 " £1 " " £2,000 " " (" £10,000) 4 0 " £1 " " remainder " " (above £10,000) 4 6
1920-21 ..	Exceeding £2,000 ..	In respect of the first £2,000 of the income .. Nil. " the excess over £2,000— For every £1 of the first £500 of the excess (to £2,500) 1 6 " £1 of the next £500 " " (" £3,000) 2 0 " £1 " " £1,000 " " (" £4,000) 2 6 " £1 " " £1,000 " " (" £5,000) 3 0 " £1 " " £1,000 " " (" £6,000) 3 6 " £1 " " £1,000 " " (" £7,000) 4 0 " £1 " " £1,000 " " (" £8,000) 4 6 " £1 " " £12,000 " " (" £20,000) 5 0 " £1 " " £10,000 " " (" £30,000) 5 6 " £1 " " remainder " " (above £30,000) 6 0

* The amount of Super-tax payable for 1914-15 at the rates originally fixed by Parliament was increased by one-third under the provisions of the Finance Act, 1914 (Session 2). These figures accordingly represent the rates thus increased at which Super-tax was charged for the year in question.

TABLE 84.—SHOWING AMOUNTS OF INCOME TAX AND SUPER-TAX PAYABLE FOR THE YEAR 1920-21 ON EARNED AND INVESTMENT INCOMES OF SELECTED AMOUNTS, AND THE EFFECTIVE RATE OF TAX ON EACH £ OF ACTUAL INCOME IN EACH CASE.

(a) SINGLE PERSONS.

Actual Total Income.	If Income all " Earned " Income.				If Income all " Investment " Income.			
	Income Tax.	Super-tax.	Total.	Effective Rate.	Income Tax.	Super-tax.	Total.	Effective Rate.
£	£	£	£	s. d.	£	£	£	s. d.
2,000	466	—	466	4 8	526	—	526	5 3
2,250	541	19	560	5 0	601	19	620	5 6
2,500	616	37	653	5 3	676	37	713	5 8
2,750	691	62	753	5 6	751	62	813	5 11
3,000	766	87	853	5 8	826	87	913	6 1
4,000	1,066	212	1,278	6 5	1,126	212	1,338	6 8
5,000	1,366	362	1,728	6 11	1,426	362	1,788	7 2
6,000	1,666	537	2,203	7 4	1,726	537	2,263	7 7
7,000	1,966	737	2,703	7 9	2,026	737	2,763	7 11
8,000	2,266	962	3,228	8 1	2,326	962	3,288	8 3
9,000	2,566	1,212	3,778	8 5	2,626	1,212	3,838	8 6
10,000	2,866	1,462	4,328	8 8	2,926	1,462	4,388	8 9
15,000	4,366	2,712	7,078	9 5	4,426	2,712	7,138	9 6
20,000	5,866	3,962	9,828	9 10	5,926	3,962	9,888	9 11
25,000	7,366	5,337	12,703	10 2	7,426	5,337	12,763	10 3
30,000	8,866	6,712	15,578	10 5	8,926	6,712	15,638	10 5
40,000	11,866	9,712	21,578	10 9	11,926	9,712	21,638	10 10
50,000	14,866	12,712	27,578	11 0	14,926	12,712	27,638	11 1
100,000	29,866	27,712	57,578	11 6	29,926	27,712	57,638	11 6
150,000	44,866	42,712	87,578	11 8	44,926	42,712	87,638	11 8

(b) MARRIED COUPLES WITHOUT CHILDREN.

Actual Total Income.	If Income all " Earned " Income.				If Income all " Investment " Income.			
	Income Tax.	Super-tax.	Total.	Effective Rate.	Income Tax.	Super-tax.	Total.	Effective Rate.
£	£	£	£	s. d.	£	£	£	s. d.
2,000	439	—	439	4 5	499	—	499	5 0
2,250	514	19	533	4 9	574	19	593	5 3
2,500	589	37	626	5 0	649	37	686	5 6
2,750	664	62	726	5 3	724	62	786	5 9
3,000	739	87	826	5 6	799	87	886	5 11
4,000	1,039	212	1,251	6 3	1,099	212	1,311	6 7
5,000	1,339	362	1,701	6 10	1,399	362	1,761	7 1
6,000	1,639	537	2,176	7 3	1,699	537	2,236	7 5
7,000	1,939	737	2,676	7 8	1,999	737	2,736	7 10
8,000	2,239	962	3,201	8 0	2,299	962	3,261	8 2
9,000	2,539	1,212	3,751	8 4	2,599	1,212	3,811	8 6
10,000	2,839	1,462	4,301	8 7	2,899	1,462	4,361	8 9
15,000	4,339	2,712	7,051	9 5	4,399	2,712	7,111	9 6
20,000	5,839	3,962	9,801	9 10	5,899	3,962	9,861	9 10
25,000	7,339	5,337	12,676	10 2	7,399	5,337	12,736	10 2
30,000	8,839	6,712	15,551	10 4	8,899	6,712	15,611	10 5
40,000	11,839	9,712	21,551	10 9	11,899	9,712	21,611	10 10
50,000	14,839	12,712	27,551	11 0	14,899	12,712	27,611	11 1
100,000	29,839	27,712	57,551	11 6	29,899	27,712	57,611	11 6
150,000	44,839	42,712	87,551	11 8	44,899	42,712	87,611	11 8

The estimate in Column 3 represents the duty on assessments proper to the year, and, excluding arrears, may differ considerably from the amount of revenue actually received within the year.

In the following Table we give a classification of incomes and of the number of persons assessed to Super-tax for the year 1917-18, and a similar classification for 1918-19 and 1919-20 of incomes already assessed for those years. The incomes classified represent the actual incomes (including the first £2,500 for the year 1917-18, and the first £2,000 for the years 1918-19 and 1919-20, on which no Super-tax was payable), dealt with in the assessments as adjusted to date. Similar particulars for the year 1920-21 are not yet available.

TABLE 88.—SUPER-TAX, YEARS 1917-18, 1918-19, AND 1919-20.
CLASSIFICATION OF INCOMES AND NUMBER OF PERSONS
ASSESSED TO SUPER-TAX.

Class.		Year 1917-18.*	
		Total Incomes Assessed.†	Number of Persons.
Exceeding	Not exceeding	£	
3,000	5,000	67,256,189	17,504
5,000	10,000	78,438,468	11,486
10,000	15,000	37,224,460	3,079
15,000	20,000	21,747,100	1,265
20,000	25,000	15,905,888	710
25,000	30,000	11,473,510	422
30,000	40,000	14,434,257	420
40,000	50,000	9,488,635	214
50,000	75,000	14,245,746	239
75,000	100,000	8,284,751	98
100,000	—	22,811,729	127
Total		301,310,733	35,564

* Final figures, subject to possible adjustment in a few cases at present under appeal.

† Adjustments made under Section 6 of the Finance Act, 1912 (which provides for the collection of a proportionate part only of the year's super-tax in the case of a person dying during the year of charge) have not been taken into account.

[Table continued on next page.]

TABLE 88.—SUPER-TAX, YEARS 1917-18, 1918-19 AND 1919-20.
CLASSIFICATION OF INCOMES AND NUMBER OF PERSONS
ASSESSED TO SUPER-TAX—*continued.*

Class.		Year 1918-19. (Assessments made at 30th April, 1921.)		Year 1919-20. (Assessments made at 30th April, 1921.)	
		Total Incomes Assessed.†	Number of Persons.	Total Incomes Assessed.†	Number of Persons.
Exceeding	Not exceeding	£		£	
£ 2,500	£ 5,000 ..	93,244,190	26,629	100,600,993	28,475
5,000	10,000 ..	84,554,724	12,369	95,450,778	13,914
10,000	15,000 ..	40,889,662	3,379	46,003,251	3,803
15,000	20,000 ..	23,693,239	1,376	27,758,612	1,617
20,000	25,000 ..	16,134,929	721	18,942,920	847
25,000	30,000 ..	12,747,671	469	13,653,005	498
30,000	40,000 ..	15,024,660	435	19,176,397	556
40,000	50,000 ..	11,722,984	265	12,970,240	291
50,000	75,000 ..	14,898,269	250	15,445,942	256
75,000	100,000 ..	8,946,828	102	9,179,706	107
100,000	— ..	22,806,827	112	26,624,478	140
Total ..		344,663,983	46,107	385,806,322	50,504

† Adjustments made under Section 6 of the Finance Act, 1912 (which provides for the collection of a proportionate part only of the year's super-tax in the case of a person dying during the year of charge) have not been taken into account.

JUDICIAL DECISIONS DURING 1920-21.

(Appeals decided after 31st March, 1921, are not included.)

INCOME TAX.

Name of Case.	Precis of Decision.	Date of Judgment.	Court.	Where Reported.
The New Zealand Shipping Co., Ltd., v. The <i>Thew</i> (Surveyor of Taxes).	When there is some evidence before Commissioners on appeal, which could support their finding of fact, the Court cannot interfere with such finding.	16th April, 1920.	Court of Appeal.	Unreported.
<i>Coman v. Governors of the Rotunda Hospital, Dublin.</i>	Where a hospital lets out rooms contiguous to the hospital for entertainments, and applies the profits for its general support, such profits are assessable to Income Tax and not exempt therefrom.	13th May, 1920.	House of Lords.	1921. 1 A.C. 1
<i>Williams v. Singer and Others. Pool v. Royal Exchange Assurance.</i>	Trustees domiciled and resident in the United Kingdom, holding shares in a foreign company, the dividends on which are paid direct to the beneficiary, a foreigner resident abroad, are not chargeable with Income Tax in respect of such dividends.	17th May, 1920.	House of Lords.	1921. 1 A.C.65
<i>Singer v. Williams.</i>	(1) Shares in a foreign company are foreign possessions within Sect. 100, Sch. D, Case 5 of the Income Tax Act, 1842, and assessable on the average of the three preceding years accordingly. (2) Clause (b) of Sect. 5 of the Finance Act, 1914, does not exclude income which was paid or became due before 6th April, 1914, from the computation necessary to arrive at the three years' average.	17th May, 1920.	House of Lords.	1921. 1 A.C.41
<i>Shaw (Surveyor of Taxes) v. Lichfield Conduit Lands Trustees.</i>	The Trustees of a charity own a reservoir and certain land connected therewith to provide water for a certain city. No charge for water supplied for public purposes is made and a nominal charge for that supplied for private purposes. Such waterworks are a hereditament chargeable to Income Tax under the Income Tax Act, 1842, Sect. 60 Sch. A, No. 1.	1st June, 1920.	King's Bench Division	Unreported.
<i>Cardinal Vaughan Memorial School Trustees v. Ryall.</i>	A School administered under a trust deed under which the control and management are vested in members of the Roman Catholic Church and the religious doctrines and practices are to be in accordance with the principles of that Church, is a Public School within the Income Tax Act, 1842, Sect. 61, Sch. A, No. VI.	3rd June, 1920.	Do.	36 T.L.R. 604.
<i>F. L. Smidth & Company v. F. Greenwood</i> (Surveyor of Taxes).	(1) A firm resident abroad manufacturing and exporting goods to foreign countries, employing a resident engineer in an office in London to receive enquiries, advise prospective customers and send reports to the firm, the contracts being made abroad and the goods shipped abroad f.o.b., does not exercise a trade within the United Kingdom. (2) Sect. 31 (2) of the Finance (No. 2) Act, 1915, does not impose a liability to Income Tax on non-residents from a trade not exercised in the United Kingdom, notwithstanding that they trade with this country.	25th June, 1920.	King's Bench Division	1920. 3 K.B. 275.

JUDICIAL DECISIONS DURING 1920-21.

INCOME TAX—continued.

Name of Case.	Precis of Decision.	Date of Judgment.	Court.	Where Reported.
Bromet v. Reith (Surveyor of Taxes).	Case Stated remitted to the Commissioners who stated same to enable Appellant to produce all the facts which he had failed to do on the hearing of the Appeal.	26th July, 1920.	King's Bench Division	Unreported.
Tucker v. The King.	Petition of Right. Judgment for Suppliant by consent.	27th July, 1920.	King's Bench Division	Unreported.
Morant's Trustees v. Butcher.	Where under the Finance Act, 1912, s. 9, trustees are liable to pay Estate Duty and Succession Duty on the net moneys received from time to time from the proceeds of sale of timber, etc., grown on an estate, the woodlands are not exempt from Income Tax.	13th Oct., 1920.	King's Bench Division	Unreported.
Rand (Surveyor of Taxes) v. Alberni Land Company.	Where a Company is formed to acquire land, forming the capital of certain trusts (under which many beneficiaries are entitled to shares) in order to facilitate its development and sale, the persons entitled under the trusts and persons instrumental in development being the only shareholders, the proceeds of sale of land developed and sold by the Company are not assessable to Income Tax as profits of a trade.	14th Oct., 1920.	King's Bench Division	Unreported.
Lothian & Sandford v. Gregory (Inspector of Taxes).	Case stated. Judgment for Crown by Consent.	14th Oct., 1920.	King's Bench Division	Unreported.
Great Western Railway Company (on behalf of W. H. Hall clerk to the Great Western Railway Co.) v. Bater (Surveyor of Taxes).	The question whether a railway clerk holds a "public office or employment of profit" within Rule 3 of Schedule E to Sect. 146 of the Income Tax Act, 1842, is a question of fact to be determined by the Commissioners on Appeal.	10th Feb., 1921.	Court of Appeal.	1921. 2 K.B. 128.
Dr. Barnardo's Homes National Incorporated Association v. Commissioners for Special Purposes of the Income Tax Acts.	A residuary legatee is entitled to receive the net residue of the testator's estate together with any income which has accrued between the death and the ascertainment of the residue, but until the residue is ascertained has no property in any specific investment forming part of the testator's estate or in the income therefrom. Therefore, when a charity is a residuary legatee, it is not entitled to receive repayment of Income Tax on income which accrued to the estate between the death and the ascertainment of the residue and which had borne Income Tax in the hands of the Executors.	14th Mar., 1921.	House of Lords.	1921. 2 A.C. 1.
Yuzumi Gold Mines Ltd. v. Eborali (Surveyor of Taxes).	In ascertaining relief for diminution of profits due to war under Finance Act, 1914 (Session 2) s. 13 (1) profits of year of assessment are to be arrived at by preparing profit and loss account for year of assessment excluding non-war losses. Sect. 133 of the Income Tax Act, 1842, as amended by Sect. 6 Revenue Act, 1865, does not give Commissioners absolute discretion, but only power to amend assessment having regard to the average profit including the actual profit of year of assessment.	21st Mar., 1921.	Court of Appeal.	1921. 2 K.B. 544.

JUDICIAL DECISIONS DURING 1920-21.

INCOME TAX—continued.

Name of Case.	Precis of Decision.	Date of Judgment.	Court.	Where Reported.
S. L. Sweet (Inspector of Taxes) v. Mrs. H. M. Henderson.	Interest on a widow's <i>jus relictæ</i> is "interest of money" due <i>ex lege</i> and is properly chargeable to Income Tax in her hands where she has received the interest in full.	12th Nov., 1920.	Court of Session (First Division)	58 S.L.R. 129.
The Tranent Co-operative Society, Ltd. v. Brown (Inspector of Taxes).	A co-operative society farming lands is entitled to elect to be assessed under Schedule D, but having so elected forfeits the statutory exemption in favour of co-operative societies.	30th Nov., 1920.	Do.	58 S.L.R. 263.
Rosyth Building and Estate Co., Ltd., v. Rogers (Inspector of Taxes).	A company which builds and lets houses carries on a business and can accordingly be assessed under Schedule A or Schedule D, in the option of the Crown; such a company claiming the allowance for management expenses under the Finance Act, 1915, Sect. 14, must bring the whole rents into computation and is entitled to allowance for repairs only of the actual sums expended.	2nd Feb., 1921.	Do.	58 S.L.R. 363.
McKenna v. Herlihy (Inspector of Taxes) and Woodburn v. Herlihy (Inspector of Taxes).	When lands assessable under Schedule B. are let for grazing the person to whom they are so let is liable to Income Tax under Schedule D in respect of the profits he derives from the grazing.	29th June, 1920.	King's Bench Division (Ireland)	Not reported.

SUPER-TAX.

Mrs. M. M. A. S. Meeking in the names of J.C.M.A. Wilson and H. Johnson v. Commissioners of Inland Revenue.	An annuity of such a sum (free of all Income Tax and Super-tax) as will reimburse an annuitant all Super-tax and Income Tax in excess of 1s. 2d. in the £1 payable by her each year in respect of certain sums, is liable to be brought into assessment to Super-tax in the amount of the Super-tax payable by her and the Income Tax applicable thereto.	2nd June, 1920.	King's Bench Division.	Unreported.
Lady Wyndham v. Commissioners of Inland Revenue.	Where a husband and wife are separately assessed to Super-tax under Sect. 9 of the Finance Act, 1914, and the husband dies during the year of assessment the amount of the Super-tax payable by the wife is not affected by Sect. 6 of the Finance Act, 1912, and is therefore the full amount assessed on her.	2nd June, 1920.	Do.	1920 3 K.B. 280.
Commissioners of Inland Revenue v. Sandersou.	Where a proposed Vendor asks a certain price for all his shares in a company in which he has a controlling interest and an arrangement is come to that the company shall declare a dividend, which dividend in respect of the shareholding of the Vendor shall amount to such a sum as when added to the purchase price ultimately arranged shall amount to the price originally asked for the shares, and the transaction is thus carried out, the dividend so received by the Vendor is income in the hands of the Vendor and liable to be brought into assessment to Super-tax accordingly.	26th July, 1920.	Do.	Unreported.

JUDICIAL DECISIONS DURING 1920-21.

SUPER-TAX—*continued.*

Name of Case.	Precis of Decision.	Date of Judgment.	Court.	Where Reported.
C. de J. Andrews v. Commissioners of Inland Revenue.	Where the total income of an individual of the year previous to that of assessment to Super-tax estimated in the prescribed manner is greater than the minimum amount on which Super-tax is chargeable for the year of assessment, but the total income of the year of assessment estimated in the same manner is less than that sum, the individual is nevertheless chargeable to Super-tax in the amount of the income of the previous year.	14th Oct., 1920.	King's Bench Division.	Unreported.
Commissioners of Inland Revenue v. Sanson.	A Case Stated cannot be remitted to the Commissioners who stated it in order to put to them in another form questions of fact which they have already found, in the hope that they might come to a different conclusion.	16th Feb., 1921.	Court of Appeal.	1921 2 K.B. 492.

EXCESS PROFITS DUTY AND MUNITIONS LEVY.

1. The excess profits duty was imposed by Part III. of the Finance (No. 2) Act, 1915, as respects profit shown by accounts made up to a date after the 4th August, 1914. The provisions governing the duty are to be found in that Statute and in the following Acts :

- Finance Act, 1916, Sections 45 to 57 ;
- Finance Act, 1917, Sections 20 to 28 ;
- Finance Act, 1918, Sections 34 and 35 ;
- Finance Act, 1919, Sections 32 to 36 ;
- Finance Act, 1920, Sections 44 to 51 ;
- Finance Act, 1921, Sections 35 to 42.

Regulations concerning the duty were made by the Commissioners of Inland Revenue on the 6th January, 1916, and by the Treasury on the 26th April, 1917. A number of cases on points of law have been decided in the courts.

2. Munitions Levy (called in the Finance Acts Munitions Exchequer Payments) was imposed by the Munitions of War Act, 1915. It applied only to concerns or parts of concerns engaged in the manufacture of munitions or war materials which the Minister of Munitions " controlled " under the provisions of that Act.

3. A brief outline of the scheme of the excess profits duty and of munitions levy was given in our last Report (*see* pages 86 to 88). It was there explained that the operation of the munitions levy was terminated as from the 31st December, 1916, and, further, that for periods during which both the duty and the levy were in operation, a concern which was a " controlled establishment " was normally charged to the heavier impost, but that sometimes charges were raised to both imposts. For these reasons, the statistics of excess profits duty and munitions levy are complementary to each other, and need to be regarded as a whole.

4. The decision of the Government not to continue the excess profits duty was announced in February, 1921, and the legislation necessary to give effect to that decision was contained in the Finance Act, 1921. A brief summary of the chief provisions of that Act is given in the following paragraphs. No attempt is made at a detailed examination, for which purpose reference to the full provisions of the Act is essential.

TERMINATION OF LIABILITY.

5. Excess profits duty was charged, not by reference to any financial year, but in respect of excess profits as they arose in any " accounting period," which ordinarily was a period for which a business had made up its accounts. Different businesses, therefore, first became subject to the duty at different dates, and similarly, subject to certain exceptions, cease to be liable to the duty at different dates.

6. In the case of businesses which had commenced before the outbreak of war (4th August, 1914), liability terminates at varying dates between the 4th August, 1920 and 5th August, 1921, in such a manner as will result in every business being subject to the duty for an aggregate period of seven years and no longer.

7. In the case of all businesses which were commenced after the outbreak of war (4th August, 1914), liability terminates at the fixed date of 31st December, 1920. Special provisions were passed as respects the terminating date of liability in cases of amalgamations of businesses, and also in cases where under the statutes the excess profits of two or more businesses were assessed together.

LIMITATION OF THE DUTY PAYABLE OVER THE AGGREGATE PERIOD OF CHARGE.

8. It was a general principle of the excess profits duty that from the duty chargeable upon the excess profits of any accounting period there might be set-off the duty applicable to any deficiency of profits sustained in another accounting period. This general principle, combined with the various changes which were enacted in the rate of duty, made it possible for a taxpayer to be required to pay an amount of duty in excess of his aggregate net excess profits over the whole period for which the duty was in force. To obviate this anomalous result, provision is made that in such cases the excess shall be remitted or repaid. Where there has been a change of ownership of the business, the several owners are to be treated independently according to their respective periods of ownership. In calculating the duty to be compared with the net aggregate excess profits, payments of munitions levy are to be counted as payments of excess profits duty to the extent that excess profits duty would have been payable if munitions levy had not existed.

RELIEF IN RESPECT OF TRADING STOCKS.

9. The question of the valuation of stock in connection with the excess profits duty became a matter of discussion by the trading community during the war period, and, as early as 1917, it was recognised by the Government that some provision should be made to give relief in cases where losses were incurred shortly after the excess profits duty came to an end, in consequence of a fall in values.

10. The Finance Act, 1921, contains provisions for three reliefs in connection with trading stocks. They are:—

- (a) A so-called "levelling process."
- (b) A scheme based upon the House of Commons paper, Cd. 8623 of 1917, commonly known as the White Paper scheme.
- (c) A scheme based upon the proposals of the Committee on Financial Risks attaching to the Holding of Trading Stocks, Cd. 9224 of 1919.

The three reliefs do not apply to the same period. The levelling process applies to a period which commences at the date at which a particular business ceases to be subject to duty and ends at a fixed date, the 31st August, 1921. The other two reliefs apply to periods commencing immediately after that date, and are alternative to one another.

11. *The Levelling Process.*—As respects the stock in hand in his business at the end of the final accounting period, the trader is allowed to ascertain the amount which would have represented its value on 31st August, 1921. The amount by which this figure is less than the figure at which the stock in hand has been brought into account at the end of the final accounting period will be allowed as a deduction from the profits in such final accounting period; subject to the qualification that the amount so allowed is not to exceed any deficiency of profits below the percentage standard of the business which may result from the general trading of the business during the period between the end of the final accounting period and 31st August, 1921.

12. As respects the stock which was not in hand at the end of the final accounting period, but which was delivered to the trader during the period between the end of the final accounting period and 31st August, 1921, under "forward purchase" contracts binding on him at the end of the final accounting period, the trader will be allowed in certain cases a part of the fall in value as a deduction from the profits of the final accounting period. The relief is, however, qualified by a number of restrictions.

13. *The White Paper Scheme.*—A period of two years from the 31st August, 1921, is allowed in which to ascertain by actual realisation the value of the whole of the stock held at that date and an allowance is to be made from the profits of the final accounting period for any difference between the valuation at 31st August, 1921, and the sum realised, or, so far as the stock is not realised, the value of the unrealised portion at the values ruling at the end of the period of two years. The relief under this scheme is alternative with the relief under the Financial Risks Committee scheme; the taxpayer has to make his election between the two schemes not later than the 31st March, 1922.

14. *The Financial Risks Committee Scheme.*—A trader who shows that during the four years following the 31st August, 1921, the yearly average profits of his business have in consequence of a drop in prices fallen below the percentage standard of the business as computed for excess profits duty, will be entitled to repayment of 80 per cent. of the amount by which the profits have fallen short of the percentage standard. The amount so repayable is, however, subject to the limitation that it is not to exceed 40 per cent. of the average excess profits (not duty) of the last two excess profits duty years, and to the further limitation that it is not to exceed the total duty paid by him in respect of the business.

15. The rates at which the duty has been imposed are shown in the following table :

TABLE 89.—RATES OF DUTY.

EXCESS PROFITS DUTY.

On the amount by which the profits from any trade or business to which the law applies, in any accounting period which ended after 4th August, 1914, exceeded by more than £200, the pre-war standard of profits—

As respects excess profits arising—	Per Cent.
(a) Within a year from the commencement of the first accounting period	50
(b) After the end of the period mentioned in (a) but before 1st January, 1917	60
(c) During the calendar years 1917 and 1918	80
(d) During the calendar year 1919	40
(e) On and after 1st January, 1920, until the end of the final accounting period (see paras. 6 & 7 on page 143)	60

Note as to (a) and (b).—In the case of trades or businesses commencing after 4th August, 1914, the rate is 50 per cent. if the accounting period ended on or before 4th August, 1915, and 60 per cent. if it ended thereafter.

General Note.—In the case of an accounting period which commenced before and ended after any of the times stated, the excess profits are apportioned on a time basis between the relative parts of the accounting period and the apportioned parts of the profits are charged at the several appropriate rates of duty.

TABLE 90.—BUDGET ESTIMATES, AMOUNTS PAID INTO THE EXCHEQUER, AND NET RECEIPT OF EXCESS PROFITS DUTY AND MUNITIONS LEVY.

Note.—Munitions Levy to the amount of about £10,000,000 was collected by the Minister of Munitions before the transfer of the administration of that Levy to the Commissioners of Inland Revenue. This sum is included in the figures below.

Year ended 31st March.	—	Budget Estimate of amount receivable by the Exchequer.	Amount paid into the Exchequer.	Net Receipt.			
				England.	Scotland.	Ireland.	United Kingdom.
1915-16	Excess Profits Duty ..	£ —	£ 140,000	£ 187,846	£ —	£ —	£ 187,846
	Munitions Levy ..	—	—	—	—	—	—
	Total ..	—	140,000	187,846	—	—	187,846
1916-17	Excess Profits Duty ..	86,000,000	135,300,000	117,030,984	17,254,946	2,540,366	136,626,296
	Munitions Levy ..	—	4,620,000	4,788,636	—	—	4,788,636
	Total ..	86,000,000	139,920,000	121,819,620	17,254,946	2,540,366	141,614,932
1917-18	Excess Profits Duty ..	200,000,000	199,084,000	170,805,509	26,552,339	4,784,065	202,141,913
	Munitions Levy ..	—	21,130,000	16,894,169	4,050,008	30,000	20,974,177
	Total ..	200,000,000	220,214,000	187,699,678	30,602,347	4,814,065	223,116,090
1918-19	Excess Profits Duty ..	300,000,000	262,978,000	221,382,928	32,998,490	7,229,578	261,610,996
	Munitions Levy ..	—	22,050,000	19,625,116	2,286,085	254,664	22,365,865
	Total ..	300,000,000	285,028,000	241,008,044	35,284,575	7,484,242	283,976,861
1919-20	Excess Profits Duty ..	280,000,000	284,575,000	245,365,044	31,208,688	7,198,464	283,772,206
	Munitions Levy ..	—	5,470,000	4,961,612	469,018	5,210	5,435,840
	Total ..	280,000,000	290,045,000	250,326,656	31,677,716	7,203,674	289,208,046
1920-21	Excess Profits Duty ..	215,030,000	218,181,000	184,848,769	27,876,200	4,420,411	217,145,380
	Munitions Levy ..	—	1,000,000	899,374	54,374	—	953,748
	Total ..	215,030,000	219,181,000	185,748,143	27,930,574	4,420,411	218,099,128

16. The following table shows the number of assessments made, the amount of gross excess profits assessed, and the gross amount of excess profits duty assessed, in each country, in each year. In the case of munitions levy the only information available is the number of assessments made, and the gross amount of munitions levy assessed. The gross amount of duty assessed in any year is commonly subject to later adjustment, arising from the settlement of objections to and appeals against the amount of duty assessed, and from the allowance of amounts of duty applicable to deficiencies of profit below the standard in earlier accounting periods. These adjustments account for the difference between the amount of duty assessed and the amount of duty receivable by the Exchequer.

TABLE 91.—EXCESS PROFITS DUTY—NUMBER OF ASSESSMENTS, AMOUNT OF GROSS EXCESS PROFITS ASSESSED, AND GROSS AMOUNT OF DUTY ASSESSED IN EACH YEAR.

Year (ended 31st March).	ENGLAND.			SCOTLAND.		
	Number of Assessments.	Gross Excess Profits.	Gross Duty Assessed.	Number of Assessments.	Gross Excess Profits.	Gross Duty Assessed.
1915-16	2,700	£	£ 3,413,000	135	£	£ 75,000
1916-17	47,660	*	143,341,000	6,792	*	20,056,000
1917-18	35,015	346,912,000	223,244,848	7,301	56,382,000	36,138,186
1918-19	52,829	435,948,000	338,368,946	7,647	65,343,000	50,395,341
1919-20	63,581	524,468,000	363,537,102	8,436	63,042,000	43,552,485
1920-21	64,082	666,207,000	319,629,848	9,276	69,465,000	41,269,723
	IRELAND.			UNITED KINGDOM.		
1915-16	—	—	—	2,835	*	3,488,000
1916-17	1,978	*	3,323,000	56,430	*	166,720,000
1917-18	1,609	9,331,000	6,191,756	43,925	412,625,000	265,574,790
1918-19	1,946	11,303,000	8,926,305	62,622	512,594,000	397,710,591
1919-20	2,092	12,038,000	8,299,568	74,109	599,548,000	415,389,155
1920-21	2,071	17,869,000	8,610,002	75,409	773,541,000	369,509,573

* Information not available—the details were not aggregated until 1st April, 1917.

TABLE 92.—MUNITIONS LEVY—NUMBER OF ASSESSMENTS, AND GROSS AMOUNT OF LEVY ASSESSED.

Year (ended 31st March).	ENGLAND.		SCOTLAND.		IRELAND.		UNITED KINGDOM.	
	Number of Assessments.	Gross Amount of Levy Assessed.	Number of Assessments.	Gross Amount of Levy Assessed.	Number of Assessments.	Gross Amount of Levy Assessed.	Number of Assessments.	Gross Amount of Levy Assessed.
1915-16	—	£	—	£	—	£	—	£
1916-17	2,255	38,251,042	453	11,099,374	9	379,941	2,717*	49,730,357*
1917-18								
1918-19	1,003	19,270,973	43	467,274	1	30,000	1,047	19,768,247
1919-20	116	2,391,562	18	87,178	5	1,000	13	2,478,740
1920-21	48	612,545	11	82,346	—	—	50	693,891

* Including 689 assessments amounting to £11,000,000 made by the Minister of Munitions.

17. The amounts of excess profits duty and munitions levy set-off against assessments in respect of deficiencies below the standard, discharged from assessment and repaid in respect of deficiencies and overcharges in each year are as follows. These figures again relate to the amounts actually so dealt with in the year, irrespective of the year in which the accounting periods affected did in fact end.

TABLE 93.—SHOWING THE EXCESS PROFITS DUTY AND MUNITIONS LEVY SET-OFF, DISCHARGED AND REPAID IN EACH YEAR.—UNITED KINGDOM.

Year ended 31st March.	Set-offs.		Discharges.		Repayments.		Total.	
	Excess Profits Duty.	Munitions Levy.	Excess Profits Duty.	Munitions Levy.	Excess Profits Duty.	Munitions Levy.	Excess Profits Duty.	Munitions Levy.
	£	£	£	£	£	£	£	£
1915-16	—	—	—	—	—	—	—	—
1916-17	9,913,000	—	4,933,000	—	437,000	—	15,283,000	—
1917-18	8,902,000	—	12,737,000	2,323,000	2,184,000	12,000	23,823,000	2,335,000
1918-19	11,128,000	—	24,035,000	3,375,000	5,984,000	244,000	41,147,000	3,619,000
1919-20	10,035,000	15,000	50,880,000	1,543,000	11,968,000	177,000	72,883,000	1,735,000
1920-21	9,532,000	-4,000	53,210,000	1,182,000	16,586,000	447,000	79,328,000	1,625,000

18. The particulars given in Table 91 relate to assessments actually made within the years stated. Such assessments may be in respect of accounting periods ended within the year in which the assessment is actually made, or in respect of accounting periods ended at any time before the commencement of that year. The particulars therefore do not purport to show the amount of excess profits made in the year, *i.e.*, the amount of excess profits disclosed by accounts made up to dates falling within the year. The data available, however, are sufficient to furnish an approximate estimate of the true amount of excess profits made in accounting periods ended in each year; the true amount of excess profits here means the amount originally assessed reduced by the deduction of sums due to be discharged from assessment on account of overcharges and of deficiencies below the standard, whether arising in the year in question or in previous years.

19. It should be borne in mind that the true amount of excess profits here referred to is the amount of the excess after deduction of the free allowances, and the allowances in respect of additional capital employed, and in respect of small businesses and other reliefs. The figures stated for the years to 31st March, 1917, include the excess profits of controlled establishments so far as the excess profits duty was the effective charge (*i.e.*, a charge higher than the charge of Munitions Levy) in respect of accounting periods ended in those years. Where Munitions Levy was the effective charge, no particulars of the excess over the adjusted standard profit are available, and such excess is therefore not included in the figures stated. The Munitions Levy was repealed as from 31st December, 1916, and this question therefore does not arise after that date.

TABLE 94.—APPROXIMATE TRUE EXCESS PROFITS ARISING IN ACCOUNTING PERIODS ENDED IN THE PERIODS STATED.— UNITED KINGDOM.

Accounting Periods ended in the Period or Year.	Approximate True Excess Profits.
	£
5th August, 1914, to 31st March, 1915 ..	50,000,000*
Year to 31st March, 1916	200,000,000*
.. .. 1917	350,000,000*
.. .. 1918	430,000,000
.. .. 1919	500,000,000
.. .. 1920	600,000,000†
.. .. 1921	200,000,000†

* Estimated division of the amount (£600,000,000) shown on page 91 of the previous Report.

† Subject to revision in the light of assessments still being made for accounting periods ended in the year 1919-20, and 1920-21. The estimate for the latter year does not allow for the reduction in value of trading stocks arising after the end of the final accounting period under the provisions of the " Levelling Process " —see paragraphs 11 and 12, page 144.

20. Provision was made by the Finance Act, 1917, and the Finance Act, 1918, for the acceptance under certain conditions of such stocks or bonds issued in connection with the war as might be prescribed by the Treasury in payment of excess profits duty and munitions levy. The bonds so prescribed have been 5 per cent. Exchequer Bonds, 1922, issued after 12th April, 1917, and National War Bonds of all issues. The price at which these bonds are accepted is par. Advantage has been taken of this provision as follows:—

Year ended 31st March.	Amounts of duty satisfied by payments in War Bonds, &c.— United Kingdom.
	£
1917-18	21,350,000
1918-19	61,396,000
1919-20	61,480,000
1920-21	65,696,000

21. The amounts of excess profits duty and munitions levy in assessment, less sums remitted or shown due to be remitted, and less payments to date including sums deposited in anticipation of assessment, at the end of each financial year were as follows :—

TABLE 95.—AMOUNT OF EXCESS PROFITS DUTY AND MUNITIONS LEVY ASSESSED AND REMAINING UNPAID AT THE END OF EACH FINANCIAL YEAR.

Date.	Amount.		
	Excess Profits Duty.	Munitions Levy	Total.
31st March, 1917	£ 17,167,000	—	£ 17,167,000
.. 1918	55,326,000	21,384,000	76,710,000
.. 1919	148,980,000	15,119,000	164,099,000
.. 1920	206,676,000	10,423,000	217,099,000
.. 1921	278,720,000	8,538,000	287,258,000

Except in so far as at each date stated the duty was being collected in instalments, or was not then due, payment of considerable portions of these amounts was in suspense, pending the settlement of appeals and other questions, which could not then be determined. The figure stated at the end of any one year will have undergone substantial reduction either through payments or through adjustments of liability by the end of the succeeding year, but this reduction is outweighed by assessments made in that year, and remaining unpaid, with the consequence that the figures show an annual increase.

CORPORATION PROFITS TAX.

1. The Finance Act, 1920, imposed a new duty, to be known as Corporation Profits Tax, and to be assessed on the profits of a British company carrying on any trade or business, or any undertaking of a similar character, including the holding of investments, and on the profits of a foreign company carrying on in the United Kingdom any trade or business, so far as those profits arise in the United Kingdom.

2. The word "company" means, in relation to the tax, any body corporate so constituted that the liability of its members is limited. The tax, therefore, does not extend to individuals and firms carrying on business with unlimited liability. Moreover, during the three years commencing 1st January, 1920, the tax does not apply to a company which carries on in the United Kingdom any gas, water, electricity, tramway, hydraulic power, dock, canal or railway undertaking, where the price charged or the dividend distributed is limited by Act of Parliament. Companies being building societies are also excluded from liability for a similar period.

3. The tax applies to profits accruing on and after the 1st January, 1920. The rate at which it is charged is 1s. in the £ (5 per cent.), but provision is made for:—

- (a) excluding the first £500 of annual profit from the charge;
- (b) a limitation of the total duty payable to 2s. in the £ (10 per cent.), on the profit remaining after payment of any interest and dividends at a fixed rate on any debentures, debenture stock, preference shares (so far as the dividend is paid at a fixed rate), or permanent loan issued before the commencement of the imposing Act.

The Act includes a definition of a permanent loan.

4. The tax is additional to the excess profits duty, but where a concern was liable to both duties in any period, the excess profits duty paid constitutes an expense in arriving at profits for purposes of the corporation profits tax.

5. Broadly speaking, profit (including income from the holding of investments) is computed on income tax principles. The annual value of immovable property owned and occupied by a company is included in profit; so also is the annual value of property let and income from investments unless that income is received from a company liable to the tax. Profit excludes interest paid (except so far as it is paid on permanent loans, or on money borrowed from a person having directly or indirectly a controlling interest in the company), and also royalties paid (except so far as paid to a person having directly or indirectly a controlling interest in the company).

6. The Finance Act, 1920, was not passed until August, 1920, and as the preliminary measures in connection with the assessment of the tax occupied some little time, the number of assessments made was very small until January, 1921; the number increased largely in February and March. In these circumstances, the statistics given below represent only a small portion of a full year's assessments, and are accordingly limited in scope. Fuller information, it is hoped, will be available in our next Report in respect of the assessments made in the year 1921-22.

TABLE 96.—BUDGET ESTIMATE, AMOUNT PAID INTO THE EXCHEQUER, AND NET RECEIPT OF CORPORATION PROFITS TAX.

	Year ended 31st March, 1921 £
Budget Estimate	2,900,000
Amount paid into the Exchequer	650,000
Net Receipt:—	
in England	625,361
in Scotland	74,142
in Ireland	1,674
in the United Kingdom	701,177

TABLE 97.—DETAILS OF THE ASSESSMENTS TO CORPORATION PROFITS TAX MADE IN THE YEAR 1920-21.

	ENGLAND.	SCOTLAND.	IRELAND	UNITED KINGDOM.
Number of Assessments ..	9,643	1,217	399	11,259
Gross Profits Assessed ..	52,754,375	5,655,572	966,924	59,376,871
Less Reductions and Overcharges	1,252,165	208,879	32,334	1,493,378
ACTUAL PROFITS ..	51,502,210	5,446,693	934,590	57,883,493
Abatements of £500 or parts of £500	1,872,437	227,700	64,083	2,164,220
TAXABLE PROFITS ..	49,629,773	5,218,993	870,507	55,719,273
Tax Chargeable thereon ..	2,479,399	200,728	43,504	2,783,630
Less Tax allowed for limitation referred to in para. 3b above ..	27,164	908	—	28,016
NET TAX PAYABLE ..	2,452,235	199,820	43,504	2,755,614

Note.—These figures are subject to possible modification in respect of discharges and repayments still to be made.

DUTIES ON LAND VALUES.

PRELIMINARY.

With the exception of the Mineral Rights Duty, the duties imposed by Part I. of the Finance (1909-10) Act, 1910, were repealed by Section 57 of the Finance Act, 1920, and the duties collected as Increment Value Duty, Reversion Duty, and Undeveloped Land Duty became repayable on application being duly made. The same Section discontinued the work of valuation related to the repealed duties.

The following Statement shows the Budget Estimates, the amounts paid into the Exchequer, and the Net Receipt from the duties on Land Values for the year 1920-21, after due allowance for the amounts repaid :—

	Budget Estimate.	Amount paid into the Exchequer.	Net Receipt.			
			In ENGLAND.	In SCOTLAND.	In IRELAND.	In the UNITED KINGDOM.
	£	£	£	£	£	£
Increment Value Duty (including Annual Increment Value Duty)	—	-230,000	-381,815	-38,038	-8,656	-428,509
Reversion Duty	—	-150,000	-228,748	-552	-4,547	-233,847
Undeveloped Land Duty	—	-100,000	-138,757	-10,169	-2,744	-151,670
Mineral Rights Duty	250,000	240,000	211,029	26,050	416	237,495
Excess Mineral Rights Duty	250,000	260,000	199,298	69,336	—	268,634
Total Land Values Duties	500,000	20,000	-338,993	46,627	-15,531	-307,897

TABLE 98.—BUDGET ESTIMATES AND AMOUNTS PAID INTO THE EXCHEQUER IN EACH YEAR.—UNITED KINGDOM.

Year.	Budget Estimates.						Payments into Exchequer. Total Land Values.
	Increment Value Duty.	Reversion Duty.	Un-developed Land Duty.	Mineral Rights Duty.	Excess Mineral Rights Duty.	Total Land Values.	
	£	£	£	£	£	£	£
1910-11 ..	20,000	90,000	280,000	700,000	—	1,090,000	520,000
1911-12 ..	50,000	50,000	200,000	400,000	—	700,000	481,000
1912-13 ..	30,000	125,000	100,000	290,000	—	545,000	455,000
1913-14 ..	20,000	100,000	325,000	305,000	—	750,000	715,000
1914-15 ..	55,000	130,000	230,000	310,000	—	725,000	412,000
1915-16 ..	60,000	10,000	—	280,000	—	350,000	363,000
1916-17 ..	100,000	10,000	—	290,000	75,000	475,000	521,000
1917-18 ..	30,000	15,000	—	255,000	100,000	400,000	685,000
1918-19 ..	110,000	25,000	—	270,000	295,000	700,000	664,000
1919-20 ..	120,000	20,000	—	260,000	100,000	500,000	663,000
1920-21 ..	—	—	—	250,000	250,000	500,000	20,000

TABLE 99.—NET RECEIPT OF THE VARIOUS DUTIES IN EACH YEAR.—UNITED KINGDOM.

Year.	Increment Value Duty.	Reversion Duty.	Un-developed Land Duty.	Mineral Rights Duty.	Excess Mineral Rights Duty.	Total Land Values.
	£	£	£	£	£	£
1910-11 ..	127	257	2,351	506,290	—	509,025
1911-12 ..	6,127	22,621	28,947	436,193	—	493,868
1912-13 ..	16,981	47,974	97,852	273,915	—	436,722
1913-14 ..	34,199	80,435	274,916	345,343	—	734,893
1914-15 ..	48,316	19,313	8,652	337,680	—	413,961
1915-16 ..	46,070	11,796	—638	308,511	3,078	368,817
1916-17 ..	67,088	18,009	—196	286,405	152,832	524,138
1917-18 ..	103,005	23,164	74	262,129	262,536	650,908
1918-19 ..	183,321	39,221	62	252,277	234,986	709,867
1919-20 ..	135,823	15,737	52	253,892	245,092	650,596
1920-21 ..	—428,599	—233,847	—151,670	237,495	268,634	—307,897

VALUATION.

During the year under review, the energies of the Valuation Staff were largely applied to giving advice and assistance to other Government Departments, *e.g.*, in the requisition and purchase of land for purposes of Housing and Land Settlement.* The Valuation Department is also charged with the valuation of licensed premises for the purposes of compensation in cases referred to the Commissioners of Inland Revenue in accordance with the provisions of Section 20 of the Licensing (Consolidation) Act, 1910, and also with certain valuation work imposed upon the Commissioners of Inland Revenue by the Acquisition of Land (Assessment of Compensation) Act, 1919.

In the two following tables particulars are given of the work of the Valuation Department in connection with the valuation of land for the purpose of the Estate, etc., Duties, and of the Stamp Duty on voluntary dispositions *inter vivos*.

TABLE 100.—PARTICULARS OF VALUATIONS OF PROPERTY PASSING ON DEATH MADE FOR THE PURPOSES OF ESTATE, ETC., DUTIES.

In the Year ended 31st March.	Number of Cases.	Principal Value.			
		As brought in by the Accounting Parties.	As certified by the Valuation Department.	Increase due to Official Valuation.	
				Amount.	Per cent.
1911 —					
England	14,756	36,687,264	39,537,890	2,850,626	7.77
Scotland	2,632	7,421,751	7,854,108	432,357	5.83
Ireland	76	242,478	286,682	44,204	18.23
UNITED KINGDOM	17,464	44,351,493	47,678,680	3,327,167	7.50
1912 —					
England	33,201	61,168,120	64,681,715	3,513,595	5.74
Scotland	3,932	8,533,430	8,919,972	386,542	4.53
Ireland	612	725,164	827,803	102,639	14.15
UNITED KINGDOM	37,745	70,426,714	74,429,490	4,002,776	5.68
1913 —					
England	33,849	70,919,130	76,027,470	5,108,340	7.20
Scotland	4,397	8,847,829	9,285,188	437,359	4.94
Ireland	1,239	2,476,471	2,778,696	302,225	12.20
UNITED KINGDOM	39,485	82,243,430	88,091,354	5,847,924	7.11
1914—					
England	38,087	71,806,718	75,382,673	3,575,955	4.98
Scotland	4,147	9,738,116	10,389,257	651,141	6.68
Ireland	1,526	3,124,899	3,532,243	407,344	13.03
UNITED KINGDOM	43,760	84,669,733	89,304,173	4,634,440	5.47

* For fuller information as to the work done by the Valuation Department for non-revenue purposes, reference may be made to the Fifth Report of the Select Committee on National Expenditure.

TABLE 100.—PARTICULARS OF VALUATIONS OF PROPERTY PASSING ON DEATH MADE FOR THE PURPOSES OF ESTATE, ETC., DUTIES.—*continued.*

In the Year ended 31st March.	Number of Cases.	Principal Value.			
		As brought in by the Accounting Parties.	As certified by the Valuation Department.	Increase due to Official Valuation.	
				Amount.	Per cent.
1915—					
England.. ..	39,155	87,354,034	92,385,717	5,031,683	5.76
Scotland.. ..	4,017	10,143,396	10,580,647	437,251	4.31
Ireland	1,618	2,098,776	2,372,909	274,133	13.06
UNITED KINGDOM	44,790	99,596,206	105,338,273	5,743,067	5.77
1916—					
England.. ..	39,883	81,427,483	84,874,008	3,446,525	4.23
Scotland.. ..	4,787	10,792,562	11,203,738	411,176	3.81
Ireland	2,548	3,393,970	4,066,083	672,113	19.80
UNITED KINGDOM	47,218	95,614,015	100,143,829	4,529,814	4.74
1917—					
England.. ..	44,844	133,707,196	141,715,881	8,008,695	5.99
Scotland.. ..	4,756	19,648,042	21,971,629	2,323,587	11.83
Ireland	2,554	3,504,899	4,169,820	667,921	19.07
UNITED KINGDOM	52,154	156,857,127	167,857,330	11,000,203	7.01
1918—					
England.. ..	38,190	90,139,050	94,551,182	4,412,132	4.89
Scotland.. ..	4,662	10,416,707	10,813,040	396,333	3.80
Ireland	2,724	3,700,721	4,471,463	770,742	20.82
UNITED KINGDOM	45,576	104,256,478	109,835,685	5,579,207	5.35
1919—					
England... ..	36,658	82,249,497	87,640,329	5,390,832	6.55
Scotland... ..	3,948	10,012,747	10,546,869	534,122	5.33
Ireland	2,266	3,352,869	4,214,554	861,685	25.70
UNITED KINGDOM	42,872	95,615,113	102,401,752	6,786,639	7.10
1920—					
England.. ..	42,741	89,694,916	96,415,387	6,720,471	7.49
Scotland.. ..	4,847	14,113,244	15,145,419	1,032,175	7.31
Ireland	1,508	1,992,317	2,571,418	579,101	29.07
UNITED KINGDOM	49,096	105,800,477	114,132,224	8,331,747	7.87
1921—					
England.. ..	39,471	90,570,760	99,092,744	8,521,984	9.41
Scotland.. ..	4,623	9,914,042	10,475,758	561,716	5.67
Ireland	1,801	2,830,146	3,698,693	868,547	30.69
UNITED KINGDOM	45,895	103,314,948	113,267,195	9,952,247	9.63

TABLE 101.—PARTICULARS OF VALUATIONS OF PROPERTY TRANSFERRED BY VOLUNTARY DISPOSITION MADE FOR THE PURPOSES OF STAMP DUTY ON GIFTS *inter vivos*.

Year ended 31st March.	ENGLAND.		SCOTLAND.		GREAT BRITAIN.	
	Number of Cases.	Principal Value as certified by the Valuation Department.	Number of Cases.	Principal Value as certified by the Valuation Department.	Number of Cases.	Principal Value as certified by the Valuation Department.
		£		£		£
1911 ..	1,683	1,424,925	280	431,112	1,963	1,856,037
1912 ..	2,627	3,313,620	436	409,717	3,063	3,723,337
1913 ..	3,021	3,486,673	386	700,141	3,407	4,186,814
1914 ..	3,256	4,819,812	421	530,369	3,677	5,350,181
1915 ..	3,202	5,656,639	382	622,168	3,584	6,278,807
1916 ..	2,969	5,288,598	391	974,183	3,360	6,262,781
1917 ..	2,831	6,169,686	378	258,594	3,209	6,428,280
1918 ..	2,839	3,464,294	341	305,696	3,180	3,769,990
1919 ..	2,980	6,528,449	370	463,853	3,350	6,992,302
1920 ..	3,815	7,284,346	484	648,801	4,299	7,933,147
1921 ..	4,765	6,929,709	622	739,575	5,387	7,669,284

THE FOUR DUTIES.

A.—THE INCREMENT VALUE DUTY.

TABLE 102.—INCREMENT VALUE DUTY. NUMBER OF TRANSACTIONS OF WHICH PARTICULARS WERE PRESENTED UNDER SECTION 4 (2) OF THE FINANCE (1909-10) ACT, 1910, OR RECEIVED FROM REGISTRARS OF LANDS OR SASINES UNDER SECTION 4 (5).

Year ended 31st March	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
1911	123,799	7,192	4,486	135,477
1912	172,540	7,893	6,138	186,571
1913	177,572	7,566	6,720	191,858
1914	188,290	8,083	6,302	202,675
1915	151,807	7,330	5,589	164,726
1916	121,326	6,052	5,772	133,150
1917	108,729	4,126	5,900	118,755
1918	132,227	6,952	7,567	146,746
1919	207,881	7,495	9,020	224,396
1920	491,332	17,370	14,187	522,889
1921	540,094	14,859	15,377	570,330

TABLE 103.—INCREMENT VALUE DUTY. NUMBER OF ASSESSMENTS MADE AND NET RECEIPT OF DUTY (EXCLUSIVE OF THE FIGURES APPEARING IN TABLE 104 IN REGARD TO DUTY CHARGED ANNUALLY IN RESPECT OF MINERALS).

Year ended 31st March.	ENGLAND.		SCOTLAND.		IRELAND.		UNITED KINGDOM.	
	No. of Assessments.	Net Receipt of Duty.	No. of Assessments.	Net Receipt of Duty.	No. of Assessments.	Net Receipt of Duty.	No. of Assessments.	Net Receipt of Duty.
		£		£		£		£
1911 ..	10	102	1	25	—	—	11	127
1912 ..	777	5,698	63	392	19	34	859	6,124
1913 ..	813	8,356	148	7,729	86	158	1,047	16,243
1914 ..	2,871	23,941	209	7,711	142	573	3,222	32,225
1915 ..	4,849	36,209	196	5,440	182	1,102	5,227	42,751
1916 ..	2,377	34,843	102	3,223	168	2,432	2,647	40,498
1917 ..	3,780	54,946	190	3,929	55	985	4,025	59,860
1918 ..	6,655	84,274	206	4,891	61	3,061	6,922	92,226
1919 ..	8,769	153,163	220	13,871	106	3,324	9,095	170,358
1920 ..	8,437	120,076	85	6,461	158	2,273	8,680	128,810
1921 ..	183	-359,131*	—	-35,505*	—	-8,656*	183	-403,292*

The following table relates to the Increment Value Duty which in certain circumstances was charged annually on minerals which were comprised in a mining lease or were being worked. This annual duty was assessed on the amount of the excess of the rental value of minerals, on which Mineral Rights Duty is charged, over the annual equivalent (*i.e.*, two twenty-fifth parts) of the original capital value of the minerals, or the capital value on the last occasion on which Increment Value Duty was collected otherwise than as an annual duty.

TABLE 104.—INCREMENT VALUE DUTY CHARGED ANNUALLY IN RESPECT OF MINERALS COMPRISED IN A MINING LEASE OR BEING WORKED BY THE PROPRIETOR. NUMBER OF ASSESSMENTS MADE AND NET RECEIPT OF DUTY IN EACH YEAR.

Year ended 31st March.	ENGLAND.		SCOTLAND.		IRELAND.		UNITED KINGDOM.	
	No. of Assessments.	Net Receipt.	No. of Assessments.	Net Receipt.	No. of Assessments.	Net Receipt.	No. of Assessments.	Net Receipt.
		£		£		£		£
1911 ..	5	—	2	—	2	—	9	—
1912 ..	18	3	4	—	5	—	27	3
1913 ..	17	505	4	233	6	—	27	738
1914 ..	155	1,712	33	262	6	—	194	1,974
1915 ..	349	4,142	58	1,410	4	13	411	5,565
1916 ..	301	5,016	40	529	3	27	344	5,572
1917 ..	213	6,541	36	687	3	—	252	7,228
1918 ..	459	9,590	81	1,189	2	—	542	10,779
1919 ..	663	11,793	52	1,141	2	29	717	12,963
1920 ..	254	6,129	30	870	1	14	285	7,013
1921 ..	25	-22,684*	—	-2,533*	—	—	25	-25,217*

* Repayments in excess of receipts.

B.—THE REVERSION DUTY.

TABLE 105.—REVERSION DUTY. NUMBER OF ASSESSMENTS MADE AND NET RECEIPT OF DUTY IN EACH YEAR.

Year. ended 31st March.	ENGLAND.		SCOTLAND.		IRELAND.		UNITED KINGDOM.	
	No. of Assess- ments.	Net Receipt of Duty.	No. of Assess- ments.	Net Receipt of Duty.	No. of Assess- ments.	Net Receipt of Duty.	No. of Assess- ments.	Net Receipt of Duty.
		£		£		£		£
1911 ..	47	249	1	8	—	—	48	257
1912 ..	419	22,482	12	16	12	123	443	22,621
1913 ..	1,318	44,349	89	594	7	3,031	1,414	47,974
1914 ..	1,646	79,386	30	401	11	648	1,687	80,435
1915 ..	186	19,099	5	21	8	193	199	19,313
1916 ..	301	11,546	1	13	30	237	332	11,796
1917 ..	434	17,779	1	3	4	227	439	18,009
1918 ..	611	22,064	1	9	16	1,091	628	23,164
1919 ..	562	38,752	—	—	3	469	565	39,221
1920 ..	163	15,480	—	—	11	257	174	15,737
1921 ..	1	-228,748*	—	-552*	—	-4,547*	1	-233,847*

* Repayments in excess of Receipts.

C.—THE UNDEVELOPED LAND DUTY.

The following table shows the total amount collected since the inception of the duty in 1910:—

TABLE 106.—UNDEVELOPED LAND DUTY. NET RECEIPT IN EACH YEAR.

Year ended 31st March.	ENGLAND.	SCOTLAND.	IRELAND.	UNITED KINGDOM.
	£	£	£	£
1911 ..	2,351	—	—	2,351
1912 ..	28,130	817	—	28,947
1913 ..	94,378	1,887	1,587	97,852
1914 ..	255,435	9,649	9,832	274,916
1915 ..	3,090	5,540	22	8,652
1916 ..	-795*	168	-11*	-633*
1917 ..	-187*	—	-9*	-196*
1918 ..	76	1	-3*	74 1
1919 ..	59	—	3	62 1
1920 ..	52	—	—	52 1
1921 ..	-138,757*	-10,169*	-2,744*	-151,670*

* Repayments in excess of Receipts.

D.—THE MINERAL RIGHTS DUTY.

The following tables give the number of assessments and the net receipt of duty in each year as regards (i) the Mineral Rights Duty, and (ii) the Excess Mineral Rights Duty.

TABLE 107.—MINERAL RIGHTS DUTY.

Year ended 31st March.	ENGLAND.		SCOTLAND.		IRELAND.		UNITED KINGDOM.	
	No. of Assessments.	Net Receipt of Duty.	No. of Assessments.	Net Receipt of Duty.	No. of Assessments.	Net Receipt of Duty.	No. of Assessments.	Net Receipt of Duty.
1911 ..	15,370	£ 430,731	2,719	£ 74,945	230	£ 614	18,319	£ 506,290
1912 ..	10,341	362,951	1,281	72,461	314	781	11,936	436,193
1913 ..	9,205	241,088	1,581	32,311	217	516	11,003	273,915
1914 ..	9,105	296,830	1,383	47,996	277	517	10,765	345,343
1915 ..	10,604	287,809	1,497	49,417	275	454	12,376	337,680
1916 ..	8,569	267,932	1,278	40,096	244	483	10,091	308,511
1917 ..	8,208	252,332	1,386	33,735	220	338	9,814	286,405
1918 ..	8,649	217,319	1,705	44,326	280	484	10,634	262,129
1919 ..	8,771	229,803	1,296	22,158	261	316	10,328	252,277
1920 ..	9,327	212,234	1,429	41,272	184	386	10,940	253,892
1921 ..	9,151	211,029	1,459	26,050	200†	416	10,810	237,495

† Estimated.

TABLE 108.—EXCESS MINERAL RIGHTS DUTY.

Year.	ENGLAND.		SCOTLAND.		GREAT BRITAIN.	
	No. of Assessments.	Net Receipt of Duty.	No. of Assessments.	Net Receipt of Duty.	No. of Assessments.	Net Receipt of Duty.
1915-16 ..	39	£ 3,078	—	£ —	39	£ 3,078
1916-17 ..	346	110,999	169	41,833	515	152,832
1917-18 ..	214	186,284	122	76,252	336	262,536
1918-19 ..	124	172,946	65	62,040	189	234,986
1919-20 ..	164	174,393	86	70,699	250	245,092
1920-21 ..	160	199,298	104	69,336	264	268,634

NOTE.—There has been no liability to Excess Mineral Rights Duty in Ireland.

LOCAL TAXATION ACCOUNTS.

The amounts allocated from Estate, &c., Duties to the Local Taxation Accounts in the years 1910-11 to 1920-21 are shown on pages 161-2. These contributions are paid in the first instance into the Exchequer as required by the Finance Act, 1907, and the necessary payments to the Local Taxation Accounts are made out of the Consolidated Fund.

The contributions for the year 1920-21 are shown in the following table, together with the fund out of which they arise, and the manner in which the amounts are determined:—

TABLE 109.—PROBATE, &c., DUTIES AND ESTATE DUTY ALLOCATED TO THE LOCAL TAXATION ACCOUNTS.—YEAR 1920-21.

Country.	Acts Sanctioning the Grants.	Fund out of which the Grants are Payable.	Portion Assigned.	Allocation of the Total Grants.		
				ENGLAND.	SCOTLAND IRELAND.	UNITED KINGDOM.
ENGLAND SCOTLAND IRELAND	Local Government Act, 1888. Probate Duties (Scotland and Ireland) Act, 1888.	Net Receipt of Probate Duty in the United Kingdom. (£15,387)	One-half for the United Kingdom. (£7,693)	80	11	100
				<i>Probate (and Inventory) Duty and Account Duty.</i>		
				Proportion fixed by the Acts cited ..	9	100
				Amount	£6,155	£7,693
UNITED KINGDOM.	Finance Act, 1894	Net Capital Value of Free Personality situate in the United Kingdom on which Estate Duty was paid in the year. (£255,676,026)	1½ per cent. thereof for the United Kingdom.	<i>Estate Duty (1894).</i>		
				Amount	£3,068,113*	£3,835,140
				Amount for Scotland to be added to amount for England	£421,865	£345,162
ENGLAND	Agricultural Rates Act, 1896.	Estate Duty paid on all Personality.	Amount for England annually by the Ministry of Health.	<i>Estate Duty (1894).</i>		
SCOTLAND	Agricultural Rates (Scotland) Act, 1896.			Amount	£1,323,252	£181,947	£1,505,199
				Total Estate Duty	£4,391,365	£345,162
				£5,340,939		

* Under the Tithe Rentcharge (Rates) Act, 1899, a portion of this grant is specifically applied in aid of the Rates on Tithe. Receipt-charge attached to beneficiaries in England - one moiety of such rates being paid by the Crown. The total amount so applied in the year was £472,361.

LOCAL TAXATION ACCOUNTS.

TABLE 110.—ESTATE, &c., DUTIES ALLOCATED TO THE LOCAL TAXATION ACCOUNTS.

Year ended 31st March.	Estate Duty.			Probate (and Inventory) and Account Duties.	TOTAL ESTATE, &c., DUTIES.
	Exclusive of the amounts shown in Columns 2 and 3.	Moiety of Rates under Tithe Rentcharge (Rates) Act, 1899.	Contribution in aid of Agricultural Rates, &c.		
	1.	2.	3.	4.	5.
1910-11—					
England	£ 2,197,329	£ 149,064	£ 1,325,712	£ 13,808	£ 3,685,913
Scotland	322,629	—	182,285	1,899	506,813
Ireland	263,969	—	—	1,553	265,522
UNITED KINGDOM	£ 2,783,927	£ 149,064	£ 1,507,997	£ 17,260	£ 4,458,248
1911-12—					
England	2,270,338	149,658	1,325,474	15,119	3,760,589
Scotland	332,749	—	182,253	2,079	517,081
Ireland	272,250	—	—	1,701	273,951
UNITED KINGDOM	£ 2,875,337	£ 149,658	£ 1,507,727	£ 18,899	£ 4,551,621
1912-13—					
England	2,254,588	157,971	1,324,486	12,796	3,749,841
Scotland	331,727	—	182,117	1,759	515,603
Ireland	271,413	—	—	1,440	272,853
UNITED KINGDOM	£ 2,857,728	£ 157,971	£ 1,506,603	£ 15,995	£ 4,538,297
1913-14—					
England	2,448,327	168,432	1,324,949	14,997	3,956,705
Scotland	359,804	—	182,181	2,062	544,047
Ireland	294,386	—	—	1,687	296,073
UNITED KINGDOM	£ 3,102,517	£ 168,432	£ 1,507,130	£ 18,746	£ 4,796,825
1914-15—					
England	2,267,500	176,703	1,323,952	10,401	3,778,556
Scotland	336,078	—	182,043	1,430	519,551
Ireland	274,973	—	—	1,170	276,143
UNITED KINGDOM	£ 2,878,551	£ 176,703	£ 1,505,995	£ 13,001	£ 4,574,250
1915-16—					
England	2,385,360	181,030	1,323,458	8,778	3,898,628
Scotland	352,879	—	181,975	1,207	536,061
Ireland	288,719	—	—	988	289,707
UNITED KINGDOM	£ 3,026,958	£ 181,030	£ 1,505,433	£ 10,973	£ 4,724,394
1916-17—					
England	2,518,520	172,230	1,323,633	7,578	4,021,961
Scotland	369,978	—	181,999	1,042	553,019
Ireland	302,709	—	—	852	303,561
UNITED KINGDOM	£ 3,191,207	£ 172,230	£ 1,505,632	£ 9,472	£ 4,878,541

LOCAL TAXATION ACCOUNTS.

TABLE 110.—ESTATE, &c., DUTIES ALLOCATED TO THE LOCAL TAXATION ACCOUNTS—*continued.*

Year ended 31st March.	Estate Duty.			Probate (and Inventory) and Account Duties.	TOTAL ESTATE, &c., DUTIES.
	Exclusive of the amounts shown in Columns 2 and 3.	Moiety of Rates under Tithe Rentcharge (Rates) Act, 1899.	Contribution in aid of Agricultural Rates, &c.		
	1.	2.	3.	4.	5.
1917-18—					
England	£ 2,409,391	£ 193,330	£ 1,323,645	£ 9,755	£ 3,936,121
Scotland	357,874	—	182,001	1,341	541,216
Ireland	292,806	—	—	1,098	293,904
UNITED KINGDOM	£ 3,060,071	£ 193,330	£ 1,505,646	£ 12,194	£ 4,771,241
1918-19—					
England	2,409,116	244,409	1,323,635	7,511	3,984,671
Scotland	364,860	—	182,000	1,033	547,893
Ireland	298,521	—	—	845	299,366
UNITED KINGDOM	£ 3,072,497	£ 244,409	£ 1,505,635	£ 9,389	£ 4,831,930
1919-20—					
England	2,943,137	340,625	1,323,532	5,284	4,612,578
Scotland	451,517	—	181,986	727	634,230
Ireland	369,423	—	—	594	370,017
UNITED KINGDOM	£ 3,764,077	£ 340,625	£ 1,505,518	£ 6,605	£ 5,616,825
1920-21—					
England	2,594,772	473,341	1,323,252	6,155	4,397,520
Scotland	421,865	—	181,947	846	604,658
Ireland	345,162	—	—	692	345,854
UNITED KINGDOM	£ 3,361,799	£ 473,341	£ 1,505,199	£ 7,693	£ 5,348,032

COMPENSATION UNDER THE LICENSING
(CONSOLIDATION) ACT, 1910.

During the year 1920 the total number of licences refused under the Act was 564.

The number of cases in which there was "default of agreement and approval," and which, in pursuance of the provisions of the Act, were in consequence referred to the Commissioners of Inland Revenue for determination of the awards, was 159.

As a result of negotiations, terms of agreement were arranged in one case which had been referred, and this was withdrawn from our cognizance, leaving a balance of 158 to be dealt with by us; of these, 119 cases have been settled. The aggregate of the awards issued by us was £203,889 in England and £7,439 in Wales—a total of £211,328. 39 cases remain to be disposed of.

We have the honour to be,

Your Lordships' obedient Servants,

(Signed) R. V. NIND HOPKINS,
P. THOMPSON,
F. A. BARRETT,
G. B. CANNY,
C. G. SPRY.

Somerset House, London,
April, 1922

REPORT

OF THE

IMPERIAL INSTITUTE COMMITTEE OF ENQUIRY

1923

TOGETHER WITH

RESOLUTIONS OF THE IMPERIAL ECONOMIC CONFERENCE

ON THE SUBJECT.

*Presented to Parliament by Command of His Majesty,
November, 1923.*



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* The expenses incurred in connexion with the Committee were £86 13s. 0d., exclusive of the cost, amounting to £31 0s. 0d., of the publication of its report in this paper.

REPORT
OF THE
IMPERIAL INSTITUTE COMMITTEE OF ENQUIRY, 1923,
TOGETHER WITH RESOLUTIONS OF THE
IMPERIAL ECONOMIC CONFERENCE ON THE
SUBJECT.

No. 1.

REPORT OF THE IMPERIAL INSTITUTE COMMITTEE OF
ENQUIRY, 1923.

CONSTITUTION OF THE COMMITTEE.*

The Hon. W. G. A. Ormsby-Gore, M.P., Parliamentary Under-Secretary of State for the Colonies (*Chairman*);

The Hon. P. C. Larkin, High Commissioner for Canada; †

The Right Hon. Sir Joseph Cook, G.C.M.G., High Commissioner for the Commonwealth of Australia;

Colonel The Hon. Sir James Allen, K.C.B., High Commissioner for New Zealand;

The Hon. Sir Edgar Walton, K.C.M.G., High Commissioner for the Union of South Africa;

The Right Hon. Lord Islington, G.C.M.G., D.S.O.;

Lord Kysant, G.C.M.G., Chairman of the Union-Castle Mail Steamship Company, Limited;

Sir James Stevenson, Bart., G.C.M.G.;

Sir H. Llewellyn Smith, G.C.B., Chief Economic Adviser to His Majesty's Government, Board of Trade;

Sir A. Shirley Benn, K.B.E., M.P., President of the Association of British Chambers of Commerce;

Sir G. E. A. Grindle, K.C.M.G., C.B., Colonial Office;

Sir Edward Davson, President of the West Indian Associated Chambers of Commerce; and

Mr. M. F. Headlam, C.B., Treasury; and

Mr. E. B. Boyd, Colonial Office (*Secretary*).

* Sir Edgar Bowring, High Commissioner for Newfoundland, was invited to serve on the Committee, but being abroad when it was set up was unable to attend the meetings.

† Represented at the meetings of the Committee by Mr. W. C. Noxon, Agent-General for the Province of Ontario.

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REPORT

TO

HIS GRACE THE DUKE OF DEVONSHIRE, K.G., P.C., G.C.M.G., G.C.V.O.,
Secretary of State for the Colonies.

YOUR GRACE,

We were appointed a Committee in February of this year. Our Terms of Reference were as follows:—

In view of the withdrawal of oversea contributions, and the consequent financial difficulties of the Imperial Institute, to consider and report

- (i) What functions at present carried on by the Institute are considered essential, and
- (ii) Whether these should be continued by the Institute or attached elsewhere, and in this connection to take into account the functions of other research organisations and to report what consequential legislative or other measures will be necessary to carry their recommendations into effect.

Further, to report on the functions of the Imperial Institute and to what extent the intentions of the Founders and the Royal Charter are being carried out; and to suggest any improvements which they consider financially possible, if they recommend that the Institute shall be carried on on its existing basis.

2. We have held seventeen meetings, and have in the course of our enquiry examined thirty-five witnesses and heard a great deal of evidence, not only from representatives of the Imperial Institute itself, but also from representatives of various Departments of State, and from other public research institutions and organisations which have associations with the Imperial Institute and are known to perform, or to have performed, functions in part identical with, or similar to, those of the Imperial Institute.

3. We have examined Professor Wyndham R. Dunstan, C.M.G., F.R.S., the Director of the Institute, and representatives of the various Advisory and Technical Committees associated with the work of the Institute, including the Raw Materials Committee, the members of which are nominated by the Association of British Chambers of Commerce, the Mineral Resources Committee, the Silk Production Committee, the Timbers Committee, and the Ceylon Rubber Research Committee. We have also perused the Report of a Special Committee appointed by the Executive Council of the Institute to prepare information and submit a report in connection with our enquiry.

4. Evidence has also been taken from Sir Richard Redmayne, K.C.B., the Chairman, and the Right Hon. Lord Morris, K.C.M.G.,

K.C., Vice-Chairman, of the Imperial Mineral Resources Bureau ; from the Right Hon. Earl Buxton, G.C.M.G., Chairman of the Managing Committees of the Imperial Bureau of Entomology and the Imperial Bureau of Mycology, and from the Directors of each of these institutions ; from Sir H. Frank Heath, K.C.B., Permanent Secretary, Department of Scientific and Industrial Research ; from Mr. Herbert Wright, Chairman of the Executive Committee, and from several members of the teaching staff, of the Imperial College of Science and Technology ; and from Mr. H. J. Waring, C.B.E., M.B., M.S., F.R.C.S., Vice-Chancellor of the University of London.

5. Witnesses have also appeared before us on behalf of the Board of Trade, the Department of Overseas Trade, and the India Office. From the representative of the last-named Department we were informed of the relations of the Government of India with the Imperial Institute, and, in view of the difference of opinion on the value of the services which the Institute has rendered to India, we thought it well also to take evidence from the Committee for India of the Imperial Institute. We have not, however, considered it necessary to examine witnesses from the other advisory committees nominated by the Dominions, in view of the fact that the High Commissioners for the Dominions are members of Your Grace's Committee of Enquiry.

6. The Federation of British Industries were invited to send representatives to give evidence. After careful enquiry, however, they found that the use made of the Imperial Institute by different trades varied very greatly ; of the trades interested in raw materials within the scope of the Institute, some had made considerable use of its facilities, some a little use, and some none at all. In these circumstances the Federation expressed regret that, as representing the whole of industry, they could not give any evidence which, in their opinion, would be useful to us in our enquiry.

7. Before proceeding to a discussion of the main subject of our enquiry, we think it essential to review briefly at the outset the past history of the Imperial Institute, its financial position during recent years, and the crisis in its affairs which has supervened as a result of the withdrawal of the annual contributions towards its maintenance by certain of the Oversea Governments.

History.

8. The Imperial Institute was erected as an Imperial Memorial of the Jubilee of Queen Victoria in 1887. A Royal Charter was granted on the 12th May, 1888, which declared the main objects of the Institute to be as follows :—

- (1) The formation and exhibition of collections representing the important raw materials and manufactured products of our Empire and of other countries, so maintained as to illustrate the development of agricultural, commercial and industrial progress in our Empire, and the comparative advances made in other countries.

- (2) The establishment or promotion of commercial museums, sample rooms and intelligence offices in London and other parts of the Empire.
- (3) The collection and dissemination of such information relating to trades and industries to emigration, and to the other purposes of this our Charter as may be of use to the subjects of our Empire.
- (4) The advancement of trades and handicrafts by exhibitions of special branches of industry and commerce and of the work of artizans and of apprentices.
- (5) The promotion of technical and commercial education and of the industrial arts and sciences.
- (6) The furtherance of systematic colonization.
- (7) The promotion of conferences and lectures in connection with the general work of the Institute, and the facilitating of commercial and friendly intercourse among the inhabitants of the different parts of the British Empire.
- (8) The doing anything incidental or conducive to carrying into effect all or any of the foregoing purposes.

9. The site of the Institute in South Kensington was handed over at a nominal rent by the Commissioners of the International Exhibition of 1851, and contributions were received from nearly all parts of the Empire, both from Governments and from private sources. A sum amounting to £429,000 was by this means collected.

10. For a number of years the Institute was governed by a Governing Body and an Executive Council, on which were representatives of all parts of the Empire. It became apparent, however, that the management of the Institute required reorganisation. In 1899, therefore, the Government took over the buildings, and the western portion and galleries were leased to the Governing Body of the Imperial Institute, the greater part of the eastern portion being assigned, subject to certain rights of usage, for the occupation of the University of London.

11. In 1902, by an Act of Parliament (2 Edw. VII, c. 139) the control of the Institute was transferred to the Board of Trade, who were authorised to apply the property and monies received "so far as practicable for carrying out the purposes of the Imperial Institute and for such other similar purposes as the Board of Trade may determine, having regard to the commercial, industrial and educational interests of the Empire." An Advisory Committee was appointed representative of various Government Departments, India, the Dominions and the Colonies.

12. On the 1st October, 1907, by arrangement between the Secretary of State for the Colonies and the President of the Board of Trade, and with the approval of the Secretary of State for India, the management of the Institute was transferred to the Secretary of State for the Colonies subject to the responsibility of the Board of Trade under the Act of

1902. This arrangement was given statutory effect by a fresh Act of Parliament, viz., the Imperial Institute (Management) Act of 1916, as a result of which the management of the Institute was vested in the Secretary of State for the Colonies, and an Executive Council of twenty-five members appointed, composed of representatives of the Dominions, the Colonies, and India, with other members, fourteen of which are nominated by the Secretary of State for the Colonies. This is the constitution of the present Executive Council. Professor Dunstan, who has been Director of the Institute since 1903, is a member of the Executive Council.

Finance. (a) Capital Funds.

13. As stated above, the funds collected for the establishment of the Institute amounted to £429,000. From this amount, £140,000 was set aside as an Endowment Fund, in accordance with the provisions attaching to the grant of the site at South Kensington. Of this sum, however, £26,000 was withdrawn as a contribution to the cost of the North Gallery, and only £114,000 was invested in Government securities. The remainder of the original total sum subscribed, i.e., £289,000, and a further sum amounting approximately to £55,000, which was raised in part by a mortgage, were spent on the building and in other expenses. In 1899, as we have said, the building was, as a result of financial difficulties arising out of the repayment of the sum of £55,000, taken over by His Majesty's Government on the following considerations:—

- (1) the liquidation of the Institute's liability for the debt of £55,000;
- (2) a lease of part of the building to the Institute for 967 years without rent; and
- (3) acceptance of liability for rates, etc., and for external repairs.

14. The North Gallery was subsequently taken over by the Office of Works in return for an annuity of £864, which expires in 1941. Against this annuity a Sinking Fund has been created, standing on the 31st March, 1922, at £10,524 7s. 8d. In addition there is also a Pension Reserve Fund, standing at £10,825 11s. 5d. on the 31st March, 1922.

(b) Income and Expenditure.

15. The annual income of the Imperial Institute is derived from the interest on the Endowment Fund, the North Gallery "Annuity," certain fees for work done, and by annual contributions of fixed sums from the various Governments concerned. The following table shows the proportion of income derived from the various sources in the year 1918-1919:—

	Per cent.
Endowments	19·9
Dominions	9·7
Colonies and Protectorates ..	32·1
India	8·1
Parliamentary Grant	14·5
Other Sources (Fees, etc.) ..	15·7
	100·0

In 1903, Parliament made a grant-in-aid of £1,800 to meet the expenses of work done by the Institute for the industries and manufactures of the United Kingdom. This sum was intended to represent the equivalent of one-half of the Colonial contributions. In 1913, in response to a request from the Institute for an increased grant to enable the work of the Scientific and Technical Branch to be divided between a special branch, "The Technical Information Bureau," charged with the collection, etc., of information regarding the production, treatment, and utilisation of natural products, and the "Scientific and Technical Research Department," charged with systematic scientific research, the Treasury granted :—

- (1) £1,500 in aid of the Institute's funds, on conditions that £3,000 was derived from other sources ; and,
- (2) £1,000 as a contribution to the Technical Information Bureau, conditional on £2,000 being raised from the Colonies.

16. Thereupon, the Secretary of State for the Colonies, by a circular despatch of the 7th September, 1914, announced the formation of a "Technical Information Bureau," for the purpose of collecting technical information, and dealing with such enquiries as would not involve laboratory investigation, and appealed for, and obtained, increased contributions from the larger Colonies. The contributions of the oversea Governments have varied from time to time.

17. According to the annual audited statements, the actual receipts and expenditure of the Institute for typical pre-war, war, and post-war years, are as follows :—

				Receipts.	Expenses.
1912-1913	...	...	...	£15,740	£18,003
1913-1914	...	...	...	£20,931	£15,170
1917-1918	...	...	...	£18,159	£18,059
1918-1919	...	...	...	£17,360	£18,331
1920-1921	...	...	...	£18,277	£30,100
1921-1922	...	...	...	£45,990	£36,505

Salaries and wages form by far the most important item of expenditure. The very noticeable increase in recent years is due to the necessity of raising the remuneration of the Institute Staff, which was admittedly insufficient even before the War. As a result of this increased remuneration the accumulated surpluses of pre-war years (between £5,000 and £6,000) disappeared, and by 1920 the Institute found itself faced with an expenditure which its existing income was quite insufficient to cover.

Negotiations leading to the Milner-Chamberlain Agreement.

18. In January, 1917, the Executive Council of the Institute applied for an increased grant from the Treasury, based on the then deficit, the inadequate number and insufficient pay of the staff, and the need for re-organisation to cope with increasing work. Under the scheme put forward the Institute was to "constitute the Central Department for the raw materials of the Empire." The total cost was estimated at £30,000, and as the then income was about £17,000, an additional grant

of £13,000 was suggested pending an appeal to the Oversea Governments. Consideration of the appeal was deferred in anticipation of the Report of Lord Balfour's Committee on Commercial and Industrial Policy. But this Committee eventually decided not to report on the Institute.

19. Independent investigation of the Council's proposals was considered desirable, especially as the Report* of the Dominions Royal Commission on the Institute had not been entirely favourable. In October, 1917, therefore, Mr. (now Viscount) Long, the Secretary of State for the Colonies, appointed a Committee of three, under the chairmanship of Mr. W. A. S. Hewins, M.P., to enquire into the Council's scheme and the internal economy of the Institute generally. In June, 1918, this Committee reported adversely on the appeal for increased incomes. They did not think the work would increase to the extent anticipated; they were not in favour of the proposed "technical laboratories" for the commercial testing of materials; and they referred to the danger of overlapping with other institutions of a similar nature. But they praised the work of the Technical Information Bureau, and recommended its further development. They also reported in favour of increasing the pay of the scientific and technical staff.

20. Mr. Long asked the Council to prepare revised estimates on the basis of this Report, and offered to approach the Treasury, if necessary, when they were received. The Council, however, protested against the Report and declined to carry it out. They prepared a counter-report, and in March, 1919, submitted a revised scheme involving an additional income of £9,000 and based on the existing organisation with certain necessary additions to the staff. The Secretary of State, however, did not regard the time as opportune for asking for an increased grant, and no further steps were taken until the following year, when the Chairman and two other members of the Executive Council made urgent representations to Lord Milner as to the financial position of the Institute. Lord Milner was much impressed by the small contributions received from the Dominions (then £1,067 2s. 0d. in all), and agreed to approach the Treasury and the Oversea Governments on the basis that if the Institute was to be maintained an assured income of £40,000 would be necessary and that both His Majesty's Government and the Oversea Governments should contribute.

21. As a result of Lord Milner's representations, Mr. Austen Chamberlain, then Chancellor of the Exchequer, promised that the Parliamentary grant should be raised from £2,500 to £10,000 per annum for a period of five years, provided that the Secretary of State succeeded in obtaining from the Oversea Governments a total annual contribution of not less than £30,000 for the same period. It was also agreed that the Institute should borrow from the Crown Agents to meet current deficits, on the understanding that repayment would be made gradually out of income if the appeal were successful, and, if not, that the Institute would be closed and Parliament would be asked to sanction

* Cd. 8462 of 1917.

repayment out of the proceeds of the sale of the Endowment Fund. It was definitely agreed between Lord Milner and Mr. Chamberlain that if the appeal failed the Institute should be wound up.

The Appeal to the Oversea Governments and their Response.

22. The Secretary of State immediately sent an earnest appeal to the Governments of the Dominions and Colonies. In the despatch to the Dominions Lord Milner wrote: "If they were not willing to enable that work (i.e., of the Institute) to be carried on efficiently I should have to regard it as a proof that they were not convinced of the utility of the Institute, and in that case I could not expect the British Treasury to support it," and that if the present effort to save the Institute failed, "steps must be taken to wind it up." The sums asked of each Dominion were as follows, existing contributions being stated in brackets:—

	£	
Canada	5,000	(£450)
Australia	5,000	(Nil: Western Australia £77 10s. 0d.)
Union of South Africa ..	5,000	(£250)
New Zealand	2,000	(£89 12s. 0d.)
Newfoundland	1,000	(£200)
	£18,000	(£1,067 2s. 0d.)
India	£5,000	(£1,400, ceasing in March, 1921)

23. Despatches on similar lines were sent to the Colonies and Protectorates. As in the case of the Dominions, they were invited to increase their contributions on the basis of an increased Treasury grant of £10,000 and a total income of £40,000. Favourable replies were received from most of the Colonies and Protectorates. The total increased contributions from the Colonies and Protectorates amounted to about £15,000 as compared with former contributions of £5,173. A further sum of £2,500 was subsequently given by Malaya. If, therefore, the conditions had been fulfilled, a total Colonial contribution of £18,000—£19,000 was assured for five years.

24. The replies from the Dominion Governments were not equally favourable. The Government of the Commonwealth of Australia and the State Governments all replied either regretting their inability to contribute, or merely announcing their decision not to do so. The Canadian Government raised their subscription for 1921-22 to 20,000 dollars (approximately £4,981), but neither the Union of South Africa nor Newfoundland were able to increase their contributions. The New Zealand Government intimated that the Prime Minister of the Dominion would consider the matter while in London in 1921.

25. The Government of India had definitely announced their intention of withdrawing support from the Institute. They consented to continue their contribution for the year 1921-22 and the following

year, but finally refused to pay anything to the Institute after the 31st March, 1923. They considered that India "has reason to be dissatisfied with the amount of assistance received in the past," and that "the India Scientific Departments can investigate Indian raw materials better than the Institute."

26. Australia and New Zealand, while unable to offer the amounts asked by Lord Milner, subsequently agreed to contribute £2,000 and £1,000 respectively for the year 1921-22. It was therefore apparent that the response to Lord Milner's appeal was disappointing, in that no guarantee of permanency as regards contributions was secured even for the short period of five years, and that indeed great difficulty was experienced in obtaining the required amount even for the year 1921-22.

27. The position in respect of the financial year 1922-23 was even less satisfactory. The Colonial contributions, amounting to £20,000 approximately, were again the backbone of the Institute's income; but on the 13th December, 1922, a telegram was received from the Governor-General of Australia to the effect that, in view of the existence of the Commonwealth Institute of Science and Industry, and the provision made for the advantageous display of products at Australia House, the Commonwealth Government regretted that it was unable to continue its contribution to the Imperial Institute. The Canadian Government referred to its annual contribution of \$20,000, and enquired whether the balance of the £40,000 had been paid by the other Governments concerned. Ultimately Canada agreed to pay her contribution for 1922-23, but reserved freedom of action for the future. It was obvious that, with the Australian contribution already terminated, the Indian contribution ending on the 31st March, 1923, and the possibility that the Canadian Government might also withdraw their contribution, the position for the year 1923-24 was hopeless. In addition, the Secretary of State considered that he was no longer able to put pressure on the Governments of the Colonies and Protectorates to obtain the large sums required to make up the £20,000 which they had paid collectively during recent years. In many cases the contributions were not willingly given; Colonial Governments were enforcing economy in every possible way, and many desirable local services were cut off for this reason. The Secretary of State felt that he could not continue to press these Colonies on behalf of an institution situated in London for money which they badly required for local needs, and that it would be unjust and impolitic for him to do so. Finally, in a letter dated 29th December, 1922, while agreeing to insert in the Estimates the sum of £10,000, representing the United Kingdom contribution for the financial year 1923-24, the Lords Commissioners of the Treasury made it clear that: "If in the course of the ensuing financial year it becomes apparent that the contributions from the Colonies and Dominions will not reach the agreed figure of £30,000, the contingency contemplated prior to the conclusion of Lord Milner's Agreement must be held to have arisen, and the necessary steps should be taken by legislation to wind up the Imperial Institute, as constituted by Statute."

28. This was the financial position at the end of 1922 which occasioned the present enquiry.

The Functions of the Institute.

29. It was obvious that before we could be in a position to decide which of its present functions are essential it would be necessary for us definitely to determine the nature and extent of the work actually performed at the Imperial Institute. For this purpose we have been furnished, in addition to the oral evidence referred to, with a series of very exhaustive reports by the Director, giving a comprehensive review of all the activities of the Institute.

30. The functions which the Institute performs at the present time may be said to fall into the following categories :—

- (1) To promote the utilization of the commercial and industrial resources of the Empire by maintaining a comprehensive exhibition of natural products, especially of the Dominions, India, and the Colonies and Protectorates ; and, secondly, to illustrate by such collections, with special reference to their use for educational purposes, the present condition, industries and natural resources (mineral, animal and vegetable) of the various parts of the Empire.
- (2) To provide for the scientific and technical investigation of new or little-known raw materials, especially those produced within the Empire, and for the investigation of known products from new sources, with a view to their utilization in commerce ; and
- (3) To collect and disseminate scientific, technical and commercial information relating to raw materials.

31. To carry out this work the Institute is divided into three main branches, each corresponding broadly to the above arrangement of functions. These branches are the Exhibition Galleries, the Scientific and Technical Department, and the Technical Information Bureau.

32. The Scientific and Technical Department is equipped with extensive laboratories and work-rooms, and its staff includes officers with special qualifications in chemistry, botany, geology and mineralogy, and in certain branches of technology, in their relation to commerce and to the industrial utilization of raw materials.

33. Associated with this work is a number of Advisory Committees, one for each of the Dominions and for India. These include members representing the trade and industries of these countries, and it is their business to review the work of the Institute for the countries concerned.

34. In addition, there are various Technical Committees in connection with minerals, timbers and silk production, and one concerned with rubber research in Ceylon. These Committees include representatives of the trades or industries concerned with each of these important groups of raw materials. They deal with the results of the work of the Institute on these materials, and suggest further subjects for investiga-

tion. They also advise as to the steps required to make known the value of a given material to particular trades and industries.

35. Finally, there is a general Raw Materials Committee, whose members are nominated by the Association of British Chambers of Commerce. The object of this Committee is to make known to the commercial community, through the Chambers of Commerce, the results of investigations conducted at the Institute, and to suggest new subjects for investigation.

36. The Institute maintains a library, reading-room, and a map-room. Its main publications are the quarterly "Bulletin of the Imperial Institute," which records the results of the more important investigations conducted at the Institute, and generally progress in tropical agriculture and the commercial utilization of raw materials, various monographs on mineral resources, selected reports from the Scientific and Technical Department, and periodical reports on mineral surveys in certain of the Colonies.

To what extent are the intentions of the Founders and the Royal Charter being carried out by the Imperial Institute?

37. The purposes and powers of the Corporation under the Charter are set out in paragraph 8 of this Report. We shall now review these functions and consider how far the Institute is engaged in performing them at the present time.

- (i) In a later section of this Report we propose to deal at considerable length with the work of the Exhibition Galleries of the Imperial Institute, and we shall express our opinion upon their value as a representative collection of the raw materials and manufactured products of the Empire. It is only necessary here to say that the Institute does not at present exercise its powers under the Charter of illustrating the raw products of foreign countries and the comparative advance in agriculture, commerce, and industry between this and other countries.
- (ii) As regards the second purpose of the Charter, the Institute has, as we have shown, established the Technical Information Bureau with access to the sample rooms provided by the Technical and Scientific Department. It is to be observed, however, that the Institute does not maintain similar establishments in any other part of the Empire.
- (iii) The third function of the Institute under the Charter, *i.e.*, the collection and dissemination of information relating to trades and industries, etc., is now covered by the work of the Technical Information Bureau in so far as raw materials are concerned; but as regards trades and industries in general, this work is one of the most important functions of the Department of Overseas Trade, which was established in 1917 as a joint Department under the Foreign Office and the Board of Trade. This Department has absorbed the former Commercial Intelligence Branch of the Board of

Trade, and has also taken over certain functions of the Foreign Office in connection with commercial intelligence.

- (iv) The arrangements of exhibitions of special branches of industry and commerce with a view to the expansion of trades and handicrafts is now also part of the functions of the Department of Overseas Trade (Exhibitions and Fairs Division). The Imperial Institute does not undertake any work in connection with travelling exhibitions.
- (v) The promotion of technical and commercial education and of the industrial arts and sciences has now passed from the Imperial Institute to such institutions as the Imperial College of Science and Technology, and the School of Economics of the University of London.
- (vi) The furtherance of systematic colonization has long ceased to be an activity of the Imperial Institute. Even before the Institute was founded, there existed the Emigrants' Information Office, the business of which was to supply intending emigrants with useful and trustworthy information in regard to emigration to the British Colonies. But even so recently as the end of 1918 there was no machinery in this country for dealing with problems of migration. In 1919, the Government realised the necessity of undertaking a closer responsibility than they had done in the past in connection with Empire migration, and appointed a Committee, now known as the Oversea Settlement Committee, to aid them in carrying out this policy. A separate branch of the Colonial Office was established to carry out the recommendations of the Committee, and shortly after its inception it took over the work of the Emigrants' Information Office. All the High Commissioners' establishments in London have their immigration agencies, with which the Oversea Settlement Department is in close and constant touch; and, so far as the Colonies are concerned, there are, of course, such bodies as the West India Committee and the Malay States Information Agency, from which information and guidance as to local conditions may be obtained.
- (vii) As regards the promotion of conferences and lectures in furtherance of the general work of the Institute, we find that very little is being done, no doubt by reason of inadequate funds. There are the guide lecturers who conduct parties round the Exhibition Galleries, but there is no provision for the arrangement of lectures by external lecturers on the resources and industries of the Empire.

The promotion of "commercial and friendly intercourse among the inhabitants of the different parts of the British Empire" has largely become the function of such institutions as the Royal Colonial Institute and the Overseas Club and Patriotic League, both of which are incorporated by Royal Charter. The former aims at the "promotion and preservation of a permanent union between the Mother Country and the various parts of the Empire" and

provides, *inter alia*, "a place of meeting for British subjects connected with the Dominions, the Colonies and India, and for residents in this country who are in sympathy with the objects of the Institute, and wish to promote the interest of the Empire beyond the Seas." Among the main objects of the latter institution are "to maintain the power of the Empire and to hold to its best traditions" and "to draw together in a bond of comradeship British people all the world over."

38. It is thus apparent that the Institute now undertakes but a part of the work which it was empowered to carry on under the provisions of the Royal Charter. The Founders' conception of one great Imperial organisation displaying all the resources of the Empire and advancing the work of Empire development in scientific and industrial research and in technical and commercial education was a memorable one. At the present day, however, it seems to us that the existence of such an institution is no longer within the bounds of practical possibility. The rapid advance of the Dominions as self-governing communities within the Empire, the wonderful developments in commerce and industry, the great progress in science and the ever-increasing complexity of mechanical inventions during the last generation, and the growth of numerous Departments of State and of various public and semi-official institutions engaged in specialised research of one form or another have all tended to make the aims of such a central organisation as the Institute was originally meant to be impossible of achievement.

Overlapping of functions with other Institutions.

39. On the other hand, even although the Institute as it functions to-day has ceased to perform many of the duties with which it was entrusted under the Royal Charter, there is evidence to show that its remaining activities are by no means the exclusive sphere of the Institute alone, but are carried on, at least in part, by numerous other institutions.

40. It is perhaps only natural that the growth of scientific and technical institutions in this country during the last generation should have led to a certain duplication of work and overlapping of functions. We believe that this state of affairs is inevitable whenever such institutions are set up unless careful arrangements for co-operation are made and maintained on both sides. It is clear that overlapping is all the more likely to arise in the case of an organisation the functions of which are so many and varied as those of the Imperial Institute.

41. We shall deal in detail in the following section of this Report with the duplication of work by the Mineral Resources Committee of the Institute and the Imperial Mineral Resources Bureau. But we have had evidence to show that overlapping exists with other bodies in connection with other branches of the Institute's work. Work in technical research is carried on both in the laboratories of the Institute and in those of the Imperial College of Science and Technology, and in other institutions. We gather also that technical investigation of

new materials similar to that carried on by the Institute is also being conducted by the Research Associations of the various Trades and Industries which have been formed from time to time in connection with the Department of Scientific and Industrial Research ; though, of course, in the latter case the results of the investigations are considered as confidential by the interests concerned and are not communicated to the public by the Research Department without the consent of the Association concerned.

42. That there was considered to be a serious danger, for example, of such overlapping is evident from negotiations which took place in 1916 between the Department of Scientific and Industrial Research and the Imperial Institute in regard to the work being carried on by the newly-formed Rubber Research Association in connection with rubber manufacture. These negotiations, which aimed at co-operation between the Scientific and Industrial Research Department in the matter of rubber research, unfortunately came to nothing, and since that time both departments have carried on their work on rubber independently.

43. We have, moreover, reason to believe that the Research Department itself is prepared to, and does in fact supply, when required, information regarding raw materials in the manner of the Technical Information Bureau, and also that a certain amount of technical investigation in raw materials is carried on at the National Physical Laboratory, Teddington.

44. We considered it advisable to review the relations of the Institute with the Department of Overseas Trade. In this connection we cannot do better than quote an extract from the evidence furnished on behalf of the latter Department : " The functions of the Imperial Institute and the Department of Overseas Trade are in some respects closely akin. Both are intelligence offices ; but while the primary aim of the Imperial Institute is to assist in developing the productivity of the Empire overseas by promoting the commercial utilisation of Colonial products, the primary aim of the Department of Overseas Trade is to promote the export trade of the United Kingdom. It is clear, however, that though the primary aims of the two departments are distinct, their functions and interests cannot fail to interlock. The Institute's work in regard to commercial utilisation of products involves contact with, and knowledge of, trade and industry, and, on the other hand, the Department of Overseas Trade is interested in the development of productivity of the Dominions and Colonies, since such development means increased purchasing power and a great off-take of British goods. . . . With functions so closely allied there has inevitably been some overlapping in the past between the two offices. It has been natural that business men who have obtained information from the Imperial Institute as to sources of supply of raw materials should sometimes also address enquiries to it in respect of markets, and, similarly, that those who have been in touch with the Department of Overseas Trade over market questions should from time to time address enquiries to it in regard to produce and raw materials. It became necessary in 1916 to delimit the functions of the Institute on

the one hand and the Board of Trade on the other (the D.O.T. had not then been constituted), and resolutions* were drawn up. The essence of this arrangement was that, while the Board of Trade might deal with enquiries as to well-recognised raw materials and as to supplies immediately available, the Imperial Institute should deal with those relating to sources of supply of raw materials produced within the Empire in connection with their industrial and commercial utilisation, and should undertake all necessary investigations in regard thereto."

45. We have found, however, no overlapping between the Imperial Institute and the Imperial Bureau of Entomology and the Imperial Bureau of Mycology. The former Bureau was founded in 1913 for the purpose of encouraging and co-ordinating entomological work throughout the Empire in relation both to human and animal diseases and to agriculture; the latter was established in 1918 to encourage and co-ordinate work throughout the Empire on the diseases of plants caused by fungi in relation to agriculture.

46. The head office of the Bureau of Entomology is accommodated free of rent in the British Museum (Natural History) at South Kensington. The insect collections at the Museum are essential to the identification of insects, which is a very important part of the work of the Bureau. The publication office is accommodated in the quarters of the Entomological Society of London. By this arrangement the library of the Bureau is in close proximity with the most important Entomological Library in the United Kingdom.

47. The staff of the Bureau of Mycology is accommodated free of rent at Kew, close to the Royal Botanical Gardens, and so has available, not only the collection of fungi from all parts of the world, but also the Kew Botanical Library.

48. Both of these Bureaux are carrying on successfully work of a highly specialised character, and in view of their present close association in the one case with the Natural History Museum and the Entomological Society, and in the other with Kew Gardens, we do not think that there would be any advantage to be derived from their incorporation in, or amalgamation with, any other central institution such as the Imperial Institute.

49. We are convinced, however, that the position is entirely different in regard to the Imperial Mineral Resources Bureau and the Minerals Section of the Imperial Institute. Before we make any recommendations for the provision in future of research work in minerals and for disseminating information as to the mineral wealth of the Empire, it will be necessary to review briefly the history and functions of the Imperial Mineral Resources Bureau and its relations with the Imperial Institute.

* Reprinted as Appendix B.

The Imperial Mineral Resources Bureau and its Relations with the Institute.

50. Following upon a Resolution of the Imperial War Conference of the 23rd April, 1917, and the Report of a Special Committee appointed to draw up a scheme to give effect to it, His Majesty's Government decided that an Imperial Mineral Resources Bureau should be established. On the 13th June, 1919, the Royal Charter was granted by which the Bureau was incorporated. Its Governing Body was placed under the presidency of the Lord President of the Council. The objects of the Bureau are as follows:—

- (a) To collect, co-ordinate and disseminate information as to resources, production, treatment, consumption and requirements of every mineral and metal of economic value ;
- (b) To ascertain the scope of the existing agencies with a view ultimately to avoid any unnecessary overlapping that may prevail ;
- (c) To devise means whereby the existing agencies can, if necessary, be assisted and improved in the accomplishment of their respective tasks ;
- (d) To supplement these agencies, if necessary, in order to obtain any information not now collected which may be required for the purposes of the Bureau ; and
- (e) To advise on the development of the mineral resources of the Empire or of particular parts thereof, in order that such resources may be made available for the purposes of Imperial defence or industry.

The work of the Bureau is largely carried on by four Committees of the Governors (Intelligence, Investigation, General Purposes and Finance, and Legal), but, in addition, with the object of associating the work of the Bureau in the closest possible manner with the relevant industries, fifteen Advisory Technical Committees have been appointed, comprising many of the leading men in the commercial world connected with the mineral and metal industries, each Committee under the chairmanship of a Governor. The total number of persons serving on these Committees is 153. The Imperial Mineral Resources Bureau has thus, we understand, at its disposal the advice of practically all the well-known experts of Dominion and Colonial experience and connections, as well as a most valuable organisation overseas.

51. From the outset it was apparent that the work of this new organisation would to some extent overlap that of existing institutions, e.g., the Home Office, the Department of Scientific and Industrial Research, the Department of Overseas Trade, the Royal School of Mines of the Imperial College of Science and Technology, and the Imperial Institute ; and it will be seen from (b), (c) and (d) of the "objects" capitulated in the preceding paragraph that it was the intention that the Bureau should in course of time arrange for such overlapping to be eliminated as far as possible. In their efforts to avoid duplication of functions, the Governors of the Bureau claim to

have been entirely successful in reaching an understanding with all other institutions with the exception of the Mineral Resources Committee of the Imperial Institute. That in this case serious overlapping has existed, and still continues to exist, is admitted both by the Bureau and by the Institute.

52. We do not think that it would serve any useful purpose here to follow the course of the negotiations which have been pursued since 1919 in the endeavour to arrive at a definite demarcation of functions between these two bodies. It will be sufficient to say that, although representatives of the Mineral Resources Committee and of the Governing Body of the Bureau did arrive at a *modus vivendi*, it did not prove effective. In the matter of publications, for example, the basis of the arrangement was that the Institute should abandon the preparation of a Minerals Year Book, and that this publication should be prepared by the Bureau; on the other hand, the Institute should continue its work of producing monographs on minerals as in the past, but should at all stages be guided by the advice and assistance of the Publications Sub-Committee of the Bureau with reference both to the choice of author and the lines on which the work should proceed; and, further, that the Institute should inform the Bureau of the works which it was their intention to prepare and publish. Difficulties at once arose as to the carrying out of this agreement, the Institute alleging that the Bureau was continuing to issue monographs on minerals, and the Bureau complaining that the Institute ignored the undertaking to inform or consult the Bureau as to the various publications which the latter proposed to publish.

53. Owing to the absence of any such agreement, numerous publications on identical subjects have been produced during the last few years by each organisation, *e.g.*, monographs on zinc, manganese, tin, tungsten, coal, platinum, lead, chromium, silver, copper, mercury, and molybdenum. Others are understood to be in preparation.

54. In the matter of investigation also the Institute claims that it is instrumental in finding uses for a large number of minerals from various parts of the Empire. Their composition is determined at the Institute, their value ascertained, and users in this country and elsewhere put into communication with the producers overseas. We had evidence to show that this work is also in part a function of the Imperial Mineral Resources Bureau.

55. More recently, when it became evident that the evil of overlapping could not be remedied by mutual agreement, efforts were made to arrange for an amalgamation of the two organisations. In November of last year Sir James Allen (High Commissioner for New Zealand), Sir James Stevenson, and representatives of the Bureau and of the Mineral Resources Committee met to consider the future relations of the Bureau and of the Institute, and put forward for consideration the following suggestions:—

- (a) That the Imperial Mineral Resources Bureau be absorbed in the Imperial Institute and constitute the Mineral Section thereof.

- (b) That the Bureau, on entering the Institute and becoming a part of it, retain in its entirety the present organisation, the only difference being—
- (c) That the Bureau (to be the Mineral Section of the Institute) be subject only to the Executive Council of the Institute, and that the funds be pooled, the Executive Council allocating annually to the Mineral Section such funds as it, the Executive Council, deems fit and proper to the carrying out of the work of the Section.
- (d) That the Board of Governors (in future to be known as the Advisory Council on Minerals) have representation on the Executive Council of the Institute.
- (e) That the Mineral Section do not come under the jurisdiction or be in any way subject to the Director of the Institute, but be directly responsible to the Executive Council.
- (f) That such functions as the Imperial Institute at present exercises in respect of work in relation to minerals be performed by the Mineral Section (i.e., the erstwhile Bureau).
- (g) That the Imperial Institute remain under the Colonial Office and continue so to be represented in Parliament.

56. This proposal was referred to the Bureau, but after due consideration the Governors declared that it was not an acceptable solution of the difficulty, and that they could not therefore submit it to the Governments by which the Bureau was supported.

57. In our view this scheme of amalgamation appeared a reasonable and practicable solution of the problem of overlapping, and we were careful to ascertain from the witnesses who came before us on behalf of the Bureau what objections the Governors saw to the proposals. We were informed that one of their difficulties was the apprehension that by becoming a section of the Imperial Institute the individuality of the Bureau, its mode of government, its intimate connection with industry would be destroyed, or, at any rate, rendered less effective. There were also personal considerations which weighed strongly with the Governors. Indeed, we were informed that they would rather resign in a body than agree to any scheme for absorbing the Bureau in the Institute in its present form.

58. The attitude of the Governors of the Bureau is one which we are bound to take into account. We should be very sorry to recommend any course which might be thought to cast a slur on the excellent work accomplished by the Bureau during the short time it has been in existence, and we should especially regret the loss of the services of the eminent experts and men of science who now gratuitously advise the Bureau on the matters before them. At the same time, we are convinced that there is now, and must always be, overlapping, so long as these two institutions continue to function each in its separate orbit while dealing with common subject matter. We have given much consideration to the best remedy for this unsatisfactory state of affairs.

We are convinced that it would be impracticable and undesirable to amalgamate the two institutions so long as the Institute is organised on its present basis. But, as will be seen from a later section of our report, we advocate important changes in the organisation and management of the Institute, and we cannot but think that, if our proposals are accepted, many, if not all, the objections to amalgamation will disappear. In any case, the existing duplication of work is in our opinion so wasteful that we have no hesitation in recommending that it should be stopped as soon as possible.

59. Subject, therefore, to the adoption of our main proposals for the reform of the Institute, we recommend that the complete amalgamation of the work of the two institutions should be secured by combining the Institute and the Bureau into one complete institution, which will perform the work of both. This step will permit the combining of the staffs of the Bureau and of the section of the Institute engaged in mineral work; it will dispense with the necessity for two separate sets of contributions from His Majesty's Government and the Oversea Governments to the upkeep of two separate institutions; and, by centralizing and co-ordinating the work of research and intelligence in regard to the mineral wealth of the Empire, it will be a great advance in the direction of efficiency and of economy.

60. We wish it to be clearly understood, however, that the reconstruction of the Imperial Institute is a condition precedent to any change in the status of the Imperial Mineral Resources Bureau. As we have said above, we attach the greatest importance to the continuance of the most valuable work which is being carried out by the various Advisory Technical Committees of the Bureau and its correspondents overseas; and in framing our recommendations for the future of the Institute we have borne in mind throughout the necessity of giving it in future such a constitution as will insure that the admirable work now done by the Bureau shall be carried on with the least possible interference with its existing organisation.

Co-operation with other Institutions.

61. To sum up the questions of overlapping and co-operation, we would remark that the field of service is so vast that there should be no room for jealousy. It is obvious that there is room for every institution engaged in applying modern science to the industries and vast undeveloped resources of the Empire. We cannot lay too much stress on the necessity, not only for intelligent organisation, but also for cordial co-operation and constant interchange of views and information between all who are concerned in this great work. In particular, an institution which is devoted, not to any one definite part of the great field of applied science, but is, or should be, a living index to all other institutions of a technical or scientific character, should be in the closest touch with them all, and should be a model of harmonious co-operation.

62. There is, of course, a natural tendency for skilled workers with laboratory facilities at their disposal to prefer to deal themselves with problems submitted to them rather than to pass an enquiry on to a

stranger, who may in the particular instance be better fitted to deal with it. Such an effort in itself may be praiseworthy, but in the public interest we think it important that the general authority should be on guard against any excess of zeal in this direction.

63. We have neither the time nor the means to review as fully as we should desire the relations between the Institute and other institutions with which it would naturally work, but so far as our researches have gone, we are not satisfied from any evidence put before us that the ideal of close and harmonious co-operation indicated above is fully realised in practice. In any reorganisation of the Institute which may follow upon our enquiry we recommend that particular pains be taken to ensure the harmonious co-operation which is so essential.

The Technical Committees.

64. We were favourably impressed with the nature of the work done by certain of the Technical Committees. The Committee on Silk Production, for example, which is composed of members (representing the leading firms of British Silk Spinners and Manufacturers) nominated by the Silk Association of Great Britain and Ireland, as well as other members, including the Secretary of the Silk Association and the Director of the British Research Association, has, since 1916, been considering the possibilities of encouraging the production of raw silk within the Empire. At the present time the amount of silk produced within the Empire is comparatively small, and, moreover, generally unsuitable for use in this country, owing chiefly to unscientific methods of production. Indeed, of the total world's production of raw silk, about 90 per cent. is derived from foreign sources. The silk industry in this country would be glad to see the supply of Empire-grown silk increased, and it is to this end that the Silk Committee has directed its efforts. They are engaged in investigating the prospects of sericulture in countries of the Empire which possess the suitable climatic conditions, such as India (Mysore and Kashmir), Cyprus, Egypt, and Iraq. They have also advised on the development of the existing silk industries within the Empire, and on the improvement of the technical quality of the silk produced in them. We consider that the Committee is also doing a good deal of valuable work in organising practical trials of cocoons and silk derived from various parts of the Empire in order to ascertain the technical quality of the material.

65. We also examined the work done by the Advisory Committee on Timbers, the members of which are nominated by the Royal Institute of British Architects, the Timber Trade Federation of the United Kingdom, the Carpenters' Company, the National Federation of Furniture Manufacturers, the Institute of Builders and the Empire Forestry Association. This Committee has, since its inception in 1916, been considering the whole range of timbers found within the Empire in order to bring a selection to the notice of the timber trade and others concerned in this country. Their work is carried on in close co-operation with the Empire Forestry Association and a Committee of the Royal Institute of British Architects. Practical trials and strength

tests have been conducted at the Imperial Institute or at the works of members of the Committees on consignments of selected timbers sent home by the Dominion or Colonial Governments or received from firms in this country. The results of the trials are communicated to the Oversea Governments and published in the "Bulletin" and in the technical press. Such trials have included artificial and natural seasoning, experimental fellings of timber trees, and joinery and polishing trials.

66. As a result of its work in demonstrating to manufacturers in this country how use may be made of little known timbers grown within the Empire, the Institute claims that it has recently found outlets for woods from India, New Zealand, and South Africa.

67. The following passage taken from the evidence submitted by the Institute gives an interesting example of the type of work conducted by the Timbers Committee: "In consultation with the Office of Works it was arranged that mechanical tests and practical working trials, including extended joinery tests, should be carried out with selected timbers of British Columbia, and it was agreed that if the results were satisfactory, these timbers should be included in the official specifications. The results of the mechanical tests and practical trials showed that the British Columbian timbers are at least equal to similar European timbers which are widely used in the United Kingdom. In view of these satisfactory results the Office of Works has decided that the Douglas Fir, Tideland Spruce, and Western Hemlock, from British Columbia, shall be included in the official timber specifications of that Department as alternatives to established European woods."

68. It is not possible for us to review in detail in this Report the work of the other Technical Committees, and we have chosen the Silk and Timbers Committees for special notice as being perhaps the most interesting and representative of the class. The others are:—

- (a) The Ceylon Rubber Research Committee, containing among others members representing the Ceylon planting interests, representatives of the rubber manufacturing companies, members nominated by the Rubber Growers' Association of British Rubber and Tyre Manufacturers. This Committee is engaged in a scheme of research for the improvement of plantation rubber, the funds for which are provided by contributions from the Ceylon Government and the Rubber Growers' Association.
- (b) The Mineral Resources Committee formed in 1916, to which we have referred in the separate section of this Report dealing with the Imperial Mineral Resources Bureau; and
- (c) The Raw Materials Committee, whose purpose is to serve as a link between the Institute and the chief centres of commercial activity throughout the country. On the whole we are inclined to think that the field of enquiry over which this Committee has to range is much too extensive. We find

it, moreover, a little difficult to comprehend how this body, meeting* as it normally does only twice in each year, can keep sufficiently in touch with recent developments in the commercial utilisation of raw materials to render its work of real value to British commerce. We realize the importance of keeping in close touch with the Chambers of Commerce, but we think that more appropriate means might be found for the purpose.

69. But we appreciate the good work that is being done by the Committees concerned with specific raw materials, and we would suggest that, if our main proposal for a reformed Imperial Institute is approved, it should be given power to maintain and extend as far as possible the special investigations and enquiries now carried on by these Technical Committees.

Exhibitions.

70. As we have said above, the collections of exhibits at the Imperial Institute have a two-fold object, in that they are maintained partly for commercial and industrial, and partly for educational purposes. As regards the former, we believe that such collections might be of a certain value to the commercial community if the exhibits were uniformly up-to-date and representative of all parts of the Empire. That this is not the case with the present collection is freely admitted by the Institute itself. Some of the collections are undoubtedly valuable, e.g., that of Canada, on which the Dominion recently spent £10,000; but many of the other exhibits are inadequate or antiquated, and are admittedly unworthy of the countries which they purport to represent.

71. That the collections are not properly representative of the resources of the various countries we believe to be certainly not the fault of the Institute. We were informed by the Director that repeated efforts have been made to induce the Oversea Governments to supplement the existing collections by more up-to-date exhibits, but that, for one reason or another, the response had not been favourable. There can be little doubt, we imagine, that, as far as the Dominions and India are concerned, the collections of exhibits of natural resources now maintained overseas and at the High Commissioners' establishments in London, such as at Australia House, have partly assumed the role which the Exhibition Galleries at the Institute were originally designed to fill. It is obvious that such establishments have greater facilities for maintaining representative up-to-date exhibits of their countries' resources, for providing collections of materials which have recently assumed economic importance, and for ensuring that obsolete exhibits are periodically withdrawn. Moreover, from the point of view of the business community, it is only natural that collections situated in Central London are of much greater convenience and usefulness than the Institute Galleries in South Kensington. The present exhibits are, we have been informed, of occasional value to firms in this country

* The Raw Materials Committee has met 13 times since it was formed in November, 1916.

which may from time to time require to identify raw products from the Colonies and to compare them with other and better known materials of a similar kind, but the fact that the arrangement of the galleries is geographical, each territory having its own sectional space, and that materials of one class or genus are not grouped together, in our opinion rather detracts from their value for commercial purposes.

72. We are also impressed by the criticism that the existing exhibitions can only be seen by residents in, or people visiting London, and that there is at the present time no provision for sending duplicates of the exhibits to other parts of the country for short periods.

73. As regards the educational value of the Galleries, we consider that a certain amount of useful work is being done in teaching commercial geography and in illustrating the natural resources of the countries of the Empire to London school children. In this connexion guide-lecturers are provided, who at stated times explain the nature and significance of the exhibits of each country to parties from schools. 5,000 to 6,000 pupils in conducted parties visited the Galleries in 1921, and 5,000 in 1922. To this extent we believe the exhibitions serve a useful purpose, but when we have regard to the vast size of the youthful population of London, we feel that even this side of the Institute's activities would require development on a much larger scale to be of effective value, thereby entailing considerably increased expenditure.

74. As far as the general public is concerned, we are of opinion that they display little interest in the Galleries, and that there is good ground for the criticism so frequently made that the Galleries, generally speaking, present a desolate and deserted appearance.

75. On the whole, even after allowing for insufficient funds and the difficulties of renewing exhibits periodically, we cannot affirm that the Galleries are playing, or are likely to play, any vital or even important part in Imperial development. On the contrary, we feel very strongly that unless such an exhibition of the natural resources of various countries is up-to-date, attractive, and fully representative in character, and calculated to impress those who visit it, it may even do more harm than good to the countries which it purports to represent.*

Intelligence and Technical Investigation.

76. The function of the Technical Information Bureau is two-fold—to collect and to disseminate information concerning the origin and uses of raw materials. It compiles and critically reviews information already published, and this information is utilized in answering the numerous enquiries addressed to the Institute from all parts of the world. From a statement submitted by the Institute, we gather that these enquiries are received from Governments, firms and individuals overseas, as well as from manufacturers, merchants and others in this

* Some members of the Committee disagree with these views, and have embodied their dissent in a note attached to this Report.

country, including visitors to the Institute who make oral enquiry. Many of the enquiries relate to the production, usage and marketing of the commercial raw materials of the Empire. Others are requests for technical information as to the details of industrial processes and manufactures, and the processes employed in the preparation of commercial products. Others, again, concern the prospects for agricultural and other industries in the different countries of the Empire, chiefly in the tropics.

77. The Scientific and Technical Department conducts the work of technical investigation and has the assistance of the Advisory Technical Committees to which reference has already been made. In the laboratories and workshops are made the preliminary examinations of raw materials from various parts of the Empire, and in particular investigations as to the commercial utilisation of raw materials or the extended use of materials already known. In furtherance of this work, the Department arranges with manufacturers and merchants in this country for large-scale trials to be made of materials which preliminary investigations in the Institute's laboratories have shown to be of possible value in commerce and industry. In certain cases also the Department engages in more purely scientific investigations and researches into materials which cannot be readily undertaken overseas. Sample rooms are maintained in which are displayed specimens of the chief raw materials which have been investigated by the Department and to which a commercial value has been assigned.

78. We gather that this work of technical investigation is for the most part initiated by the various Governments concerned, especially those of the Dominions, and that no charge is made by the Institute. Individuals and firms overseas also send home in this way materials the nature of which they wish determined, with a view to their possible application in industry. No charges are made for preliminary analyses, but there is a scale of fees for special investigations requiring research which are conducted at the request of firms or individuals.

79. As examples of the work of this Department in assisting in the establishments of development of industries in various parts of the Empire, the Director of the Institute has cited investigations connected with tobacco growing in Nyasaland, cotton growing in Uganda and Nyasaland, the production of wattle bark and extract in Natal, and their utilisation by British tanners, and the improvement of Gold Coast cocoa, with a view to making it suitable for use by British manufacturers. In this field of activity the Institute has, of course, been largely dependent on the co-operation of the Technical Departments (Agriculture, Forestry, etc.) of the Oversea Governments.

80. The work of collecting and disseminating information in regard to raw materials is in our opinion undoubtedly the most important that the Institute performs at the present time; and it is interesting to observe that this was also the view of the Committee under the Chairmanship of Mr. Hewins, which reported in 1917 on the internal economy of the Institute. They were emphatically of the opinion that it was "as a Clearing House for information regarding raw material

that the Institute can most usefully take its place in the future organisation of the Empire, and . . . that this end will be best achieved by concentrating attention upon the Intelligence rather than the Investigations side of the work."

81. We consider that in these times there will be general recognition of the importance of maintaining in London a centralised organisation to form a link between all the scattered portions of the Empire in collecting and disseminating information as to the uses of their natural resources. On the need for such an institution we have also had the advantage of considering a valuable report by the Advisory Council of the Department of Scientific and Industrial Research. In their opinion a clearing house of scientific and technical information, and of the industrial and commercial information related thereto, is a necessary part of any effective policy of Imperial, and especially inter-Imperial trade. An information bureau of this kind would receive questions from the Oversea Dominions and Colonies as to :—

- (1) Possible uses and markets for new materials or semi-manufactured products ;
- (2) New uses and markets for already known raw materials or semi-manufactured products ;
- (3) The best means of preparing such products for marketing ;
and
- (4) Generally, technical and scientific information bearing upon the industries of the Dominions and Colonies.

It would also receive questions from Government Departments, public bodies and others in this country :—

- (1) As to the sources, cost and supplies of raw materials and semi-manufactured products from the Dominions and Colonies suitable for new or existing purposes in this country ;
and
- (2) Generally, scientific and technical information bearing upon the industries of this country.

82. With this conception of an Imperial Clearing House we are in entire agreement, and we believe that it is along these lines that the work of the Institute can with the greatest advantage be developed in the future. It would not appear to be a matter of great difficulty to transform the present Technical Information Bureau, with its Library and its great store of accumulated information and statistics concerning the raw materials of the Empire, into such an institution as we should like to see established.

Scheme for a reformed Imperial Institute equipped with laboratories, etc.

83. It has been strongly represented to us that a Clearing House of the kind suggested in the preceding paragraphs should be equipped with laboratories in which the preliminary investigation of raw materials may be carried out without reference to other Institutions, and should even have provision for conducting small-scale trials in cases where the preliminary analysis has shown that the material may be likely to

prove of use in industry. We are satisfied that such investigation should be only preliminary in character, and that if enquiries involving any elaborate investigation or real scientific research are required, they should be referred to the appropriate scientific and technical institutions throughout the country. In this event, the out-of-pocket expenses incurred by the Clearing House would, of course, be charged to the enquirer. We contemplate therefore, that such a Clearing House would refer appropriate enquiries to the laboratories at the Universities and other scientific and technical institutions. They would, in proper cases make use of the Research Associations organised by the Department of Scientific and Industrial Research. It is out of place here to give a complete list of the institutions to which reference might be made, but, briefly, we contemplate that it would be the function and the duty of the Clearing House to know to what authority any particular enquiry can be referred, and also to refer it to that authority, and to afford the enquirer the full benefit of that authority's advice.

84. Such a Clearing House would not require the Exhibition Galleries, as it would have no place for the existing collections of exhibits at the Imperial Institute. It would, however, take over from the Technical Information Bureau the Library and the Records. It would also be essential that it should maintain reliable up-to-date sample rooms, illustrative of the more important raw materials of the Empire which are known to have a definite value in commerce, and regarding which members of the Clearing House staff could, if required, give full information.

85. As regards the future of the collections at South Kensington, we recommend that a small but really representative selection of Empire products should be made for the purpose of a travelling exhibition of a purely educational character, to be circulated throughout the chief provincial centres of the United Kingdom in co-operation with local authorities who would be willing to take responsibility for the local arrangements. Such a collection, if carefully explained by a guide lecturer, would in our opinion serve a more useful educational purpose than the existing Galleries at the Imperial Institute. A duplicate or similar collection might be offered to the London County Council for the use of London Schools, but this suggestion is, of course, one which is primarily for the consideration of the Education authorities.

86. Of the remainder, so much of the Colonial exhibits as is of value might be handed over to the appropriate Colonial Associations in this country. It would, of course, be for the Dominion Governments to decide as to the future of the Dominion exhibits.

87. We think that when the Institute has been reconstituted it might well be considered whether, so far as the Colonies are concerned, it might not be useful if travelling exhibitions of their staple products could be organised for despatch to the appropriate trade centres, in charge of a member of the Clearing House who could answer enquiries. Such a collection, however, must necessarily be kept up to date and confined to what is really essential for trade purposes, and probably

the existing exhibits at South Kensington would not figure very largely in it. The various travelling exhibitions would require to be stored at some place where accommodation was cheap, and only essential samples maintained.

88. On the other hand, we have had put before us the view that the disadvantages of attaching a laboratory to the Clearing House more than counterbalance the advantages to be derived from such an arrangement. When so many well equipped organisations are already in existence for the purpose of carrying out technological research in raw materials, it is thought advisable that they should be utilised to the utmost extent possible. The staffs of these institutions, engaged as they are continuously in expert investigation of specific materials, can bring greater knowledge and longer experience to bear upon the problems with which they are confronted than the staff attached to a Clearing House which deals with every variety of raw materials to be found throughout the world. Indeed, if laboratories were to be attached to a Clearing House suitable for anything more than the preliminary examination referred to above, their cost and the cost of the staff employed in them would be altogether excessive.

89. On the whole, we have come to the conclusion that it would be best to continue to attach laboratories on a modest scale to the reformed Institute, provided that it is definitely understood that nothing more than the preliminary investigation is attempted, and that any enquiry involving more profound research is referred without delay to some institution better fitted to undertake it. It is also most desirable in our opinion that in future such scientific work as the Institute is called upon to perform should be subject to periodical inspection by independent scientific experts. To this aspect of the subject we shall return in the section of our Report dealing with the future management of the Institute.

90. Basing our Estimate on figures which we have had from the Institute, and allowing for the saving due to the elimination of expenditure on the Galleries, but including expenditure on the work now done by the Imperial Mineral Resources Bureau, we estimate the total cost of the reformed Institute at approximately £40,000 a year.

91. It is obvious that no such Institution can be a success unless it is carried on continuously from year to year on approximately the same lines. Unless, therefore, the Institute can count on an assured income from contributions from the various Governments concerned, which with its own revenues of some £3,000 a year will afford it a stable income of approximately £40,000 a year, it clearly cannot fulfil the functions of such a Clearing House as we have in mind. It is, therefore, a condition precedent to our recommendation that a definite assurance be obtained that an income of that amount will be available. Without it we regard our recommendation as doomed in advance to failure. Only the Governments concerned can say whether they are prepared to make contributions at the rate we have indicated, but we desire to lay the utmost stress on the necessity that any contribution shall not be made spasmodically, as in the past, but shall be definitely guaranteed

in advance for a period of years, and so afford the management of the Institute that assurance of continued support without which it is quite impossible for them to plan or to carry on their work. A succession of financial crises is fatal to the well-being of an institution, and must make good work impossible. If the Governments of the Empire appreciate the work carried on at the Institute and desire to see it continued, we have no doubt that the financial difficulties involved will not prove insuperable. Failing the necessary oversea contributions being made to ensure the adoption of the foregoing scheme, we have felt it incumbent upon us, in order to comply fully with the terms of our reference, to present an alternative solution which, if our recommendations above made prove financially impossible, may at least preserve the most essential features of the work of the Institution. In doing so we desire to make it quite clear that we do not recommend this alternative scheme except in the last resort, but only put it forward in order to discharge fully the terms of our reference and to indicate what must be done if our main recommendations are not accepted by the Governments concerned. The only third course is to close the Institute entirely.

Alternative Scheme for an Imperial Clearing House without Laboratories.

92. This alternative would involve the retention of an organisation carrying on only what we regard as the most essential feature of the work of the Imperial Institute, viz., the functions of a Clearing House for collecting and disseminating information and for conducting, through the appropriate scientific, technical, and commercial institutions, enquiries and investigations with regard to the raw materials of the Empire. In the new conditions it would not be possible to equip this Clearing House with Laboratories, and it is obvious that its expenditure, both in the matter of staff and accommodation would be very considerably less than that of the Imperial Institute as it exists at the present time.

93. Such a Clearing House would be confined to the carrying out of the work of an intelligence and information bureau. It would have rooms containing samples of raw materials of use in commerce, but no laboratories.

94. The Imperial Institute has in its sub-lease of its premises at South Kensington a very valuable property; and, if it is not possible for it to be carried on on that site, we think that full advantage should be taken of this valuable asset to enable its most successful function to be preserved for the Empire. We therefore suggest that the Clearing House be set up in a suitable building in some such district as Aldwych or the Strand, where many of the Oversea Governments already have their agencies. Such a change of location would give the Clearing House the added advantage of a central position, readily accessible to the business community of the City of London. If some such arrangement could be made, the existing income of the Institute from endowments, together with what it would receive for the occupation of its present site, would more than

cover the outlay on its new quarters and the personnel required for the functions of a Clearing House on this modified basis. Indeed, we should hope that it would enable the Clearing House to pay to its staff remuneration on a scale more generous than that now in force at the Institute.

95. Ordinary enquiries would be answered by the Clearing House free of charge, but all enquiries addressed to the Clearing House necessitating laboratory investigation or research by other institutions would be subject to *ad hoc* fees. In other words, the Clearing House would collect payment from the Governments concerned on behalf of the Institution conducting the investigations. This method of charging only for special work done would remove the impression now prevalent in certain Colonies that the Oversea Governments do not at present obtain from the Institute value for the amount of their annual contribution towards it.

96. We consider, having regard to the present expenditure of the Technical Information Bureau of the Institute, that the entire cost of such a restricted Clearing House, including the rental of a site in Aldwych, should be in the neighbourhood of £15,000 per annum. It will, of course, be understood that under this scheme the Imperial Mineral Resources Bureau would remain in being and would continue to receive contributions from the Governments concerned as at present. Therefore, although there would be a considerable saving on the present expenditure of the Imperial Institute, there would not be any saving on the Imperial Mineral Resources Bureau.

The Staff of the Institute : its Conditions of Service, etc.

97. Much valuable work is being done by the Technical Staff of the Imperial Institute, but we have been much impressed by the evidence we have received of the insufficiency of their pay and prospects. The work of the Technical Staff is indeed indispensable to the success of the Institute, and it is important that they should be adequately remunerated and contented. We are not in a position to make definite recommendations on the subject of the remuneration of the staff, but we desire to record our opinion that the matter is one which requires early investigation by some competent authority able to devote to it more time than has been at our disposal. We trust that, if our recommendations are adopted, one of the first tasks undertaken by the new governing body will be a comprehensive and detailed review of the rates of pay of their staff and of the conditions of their service generally. We hope that the possibility of placing, at any rate the senior members of the staff, some of whom have done extremely good work in the Institute for many years, upon a pensionable basis will be carefully investigated.

Management of the Institute.

98. The Act of 1916 established an Executive Council of twenty-five members appointed in the manner prescribed by the first schedule to the Act, "for the purpose of carrying on the management of the

Imperial Institute under the Secretary of State for the Colonies." The Executive Council is appointed as follows :—

By the Board of Trade	2
By the Secretary of State for India	2
By the President of the Board of Agriculture and Fisheries	1
By the Government of India	1
By the Government of the Dominion of Canada ..	1
By the Government of the Commonwealth of Australia	1
By the Government of the Union of South Africa ..	1
By the Government of the Dominion of New Zealand	1
By the Government of Newfoundland	1
By the Secretary of State for the Colonies	14

The term of office of a member of the Executive Council is three years.

99. In whatever form the Institute is carried on, we are satisfied that some changes in its management are desirable. To be a success, indeed to carry on its work at all, an institution of this character must be in close touch with all the more important technical and scientific bodies in the country, and must work in cordial co-operation with them. We are not satisfied that this has been the case in the past, and we do not think that the Governing Body, as at present constituted, is well designed to secure these essential objects.

100. A central institution, designed to cover so wide a field as the application of science to the manufactures, commerce and industries of the Empire, ought to have at its immediate disposal the highest authorities on as many branches of science as possible, and those authorities should take part in its management, not merely in a consultative capacity as members of subordinate committees, but should be brought into close touch with the actual working of the machine, and should be in a position to give effect to the measures which their knowledge and experience show to be desirable. We do not suggest that they should be burdened with administrative details, but they should be able to guide and control the institution in matters of policy in regard to which their experience would be particularly valuable. After careful consideration, we have come to the conclusion that the ideal governing body of such an institution as we recommend, or even of the modified Clearing House which we have put forward as an alternative, would be a body of Governors on which such institutions as the Royal Society, the Imperial College of Science and Technology, the Royal Botanical Gardens at Kew, and the Department of Scientific and Industrial Research would be represented. There should also be two (or perhaps three) carefully selected representatives of prominent interests in the commercial world, as well as official members representing the Board of Trade, the Department of Overseas Trade, and the Colonial Office; but, apart from these three, we see no need for any further representation of United Kingdom Government Departments on the Governing Body. The High Commissioners of the Dominions and of India should be ex-officio members of the Governing Body, with power to attend personally or to nominate representatives

whenever they thought fit, and arrangements should be made which would prevent any undue call on their time, and would enable them to decide in advance whether their attendance at any particular meeting was necessary or desirable.

101. We contemplate that the Governing Body thus constituted would delegate the greater part of its powers and the actual management of the institution to a small working Committee, which, in our opinion, should not contain more than about half a dozen members if its work is to be effective. The composition of the Managing Committee would be a matter for the Governing Body to determine, but we should hope that both commerce and science, the Dominions and the Government Departments would be represented on the Committee.

102. It is in our opinion essential that the Governing Body, if it is to fulfil the important functions we have in view, should be relieved of the mass of petty administrative work which at present occupies almost the whole time of the Executive Council. To our minds, it is absurd that the Council should be called together to deal with small questions of establishment and finance, in a word, to perform the duties which fall upon an "Establishment Officer" in a Department of State. It is also, to say the least, wasteful that the time of an officer with the scientific qualifications of the present Director should be spent upon such matters. We strongly recommend that at the first opportunity a change should be made by appointing as Director an administrative officer who would be responsible for the administration of the Institute, under the general supervision of the proper Department of State, while all matters of a scientific and technical character will be controlled by the Governing Body. We believe that such an arrangement would eliminate friction and ensure harmonious co-operation with kindred institutions, and would prove more economical and efficient than the present machinery of management.

103. It may be of advantage here to note that the Dominions Royal Commission, in the section of their Report* dealing with Scientific Research in relation to the development of the natural resources of the Empire, expressed a similar opinion in regard to the administration of the Imperial Institute. They stated that :—

"The present Director of the Imperial Institute is not only a member of the Executive Council, but also its chief scientific expert and its head administrative officer.

* * * * *

"Our opinion is—

- (a) That the officers of the Institute should not be members of its Governing Body.
- (b) That administrative functions should not be combined with the duties of research."

104. We entirely concur in this recommendation. We do not think that the administrative officer whom we propose to substitute for the present Director when an opportunity offers should be a member

either of the Governing Body or of the Managing Committee, although both would naturally have a right to his attendance at their meetings if required.

105. The adoption of our recommendations would presumably entail the withdrawal of the present Director of the Institute. We need hardly say that we should regret the loss of the services of so distinguished a scientific expert and of an officer who has been so long and so honourably connected with the Institution, but he has reached an age at which he is entitled to retire from his present exacting duties, and, other considerations apart, we do not think it would be fair or expedient to ask him to become responsible for conducting the work of the Institute on the different basis which in our opinion it is essential to adopt.

106. We desire to express our warm appreciation of his prolonged and valuable services to the Institute and the Empire during the long period he has been connected with the Institute. We are of the opinion that much of the valuable work that the Institute has performed during that period has been due in large measure to his energy and ability and to the knowledge and experience he possesses of the various types of technical work in which it has been engaged. We recommend strongly that when Professor Dunstan retires from his position as Director he should be granted a pension commensurate with his services.

107. As we have said above, it seems essential that there shall be guarantees of the efficiency of the scientific and technical work of the Institute. The present ambiguous position is unfair, not only to the Director and his staff, but also to the contributing Governments. The Director is entitled to be judged by competent technical authorities and not by amateurs, and the contributing Governments are entitled to safeguards that the work to which they subscribe is really efficient. We therefore propose, as the only method of combining lay administration with proper safeguards for scientific efficiency, that in future the Institute be subjected to an independent annual inspection or visitation by scientific and commercial experts, with full power to call for information, who shall make a report both to the Managing Body and to the Department of State responsible for the Institute. These reports might be circulated to the contributing Governments, and would be a guarantee to them that the work for which they were paying was carried on on sound lines.

108. The amalgamation of the mineral work of the Institute with that of the Bureau necessarily entails the reconstruction of the Mineral Resources Committee of the Institute. The new Governing Body would set up a new and stronger Committee, in forming which they would have the Technical Advisers of the Bureau, as well as the members of the existing Committee, to draw upon. The new Committee should be given as elastic a constitution as possible, and should be in a position, if it so desires, to maintain the system of working by means of Advisory Committees.

109. It remains to decide to what Department of State the Institute could most appropriately be attached. As we have already said, it is clear that the Governing Body must include representatives of both the Board of Trade, as the guardian of commercial and manufacturing interests, and the Department of Scientific and Industrial Research, as the Department entrusted with organising the application of science to industry, and with dispensing the funds provided by Parliament for that purpose. The Colonial Office has also some claim to representation as the Department responsible for the Colonies and Protectorates. But it is anomalous that the Colonial Office should be the Department selected to control and manage such an institution as the Imperial Institute. In passing the Act of 1916, Parliament was no doubt influenced by the fact that that measure gave statutory sanction to an arrangement already existing in practice. Also it may have been thought that, as the Institute was mainly supported by the Colonies and Protectorates, it should be under the control of the Colonial Office. This reason is not convincing. The interest of the Colonial Office in the Institute is based on the work done by it for the Colonies. Provided that work is done, the Colonial Office has no more concern as a Department in the Institute than it has in the Royal Botanic Gardens at Kew, where, again, much work is done for the Colonies and Protectorates. The Colonial Office has many important duties to perform, but it is not, and cannot be, organised with a view to the control and supervision of scientific and technical institutions.

110. The real question is to which Department of State the functions of the Institute have most affinity. We have considered with great care the possibility of entrusting the Department of Scientific and Industrial Research with the responsibility for the Institute as being perhaps the Department from which it might obtain the most expert guidance in its work, and also because it is specially fitted to co-ordinate the work of the Institute with that of other institutions engaged in scientific and technical problems, and so avoid the perils of overlapping. But we feel that to place the Institute under this Department might be construed as emphasising unduly the scientific aspect of its work. As we are agreed that the main function of the Institute should be to promote the commercial utilisation of the raw materials of the Empire, it would be very undesirable to do anything that might be interpreted as subordinating the technical and commercial side of the work to the purely scientific.

111. The Board of Trade has been considered in this connection, and it is clearly essential that this Department should be closely associated with the work of the Institute. We consider that the best way to achieve this object would be to place the responsibility for the Institute on the Department of Overseas Trade, which is a Department jointly dependent on the Board of Trade and the Foreign Office, and exclusively concerned with oversea commerce. We are informed that this Department has already an inter-Imperial section, and there are indications that the importance of its work in regard to the Dominions and the Colonies and Protectorates is likely to increase with the expansion of inter-Empire commerce. The Department has placed at the

disposal of India and the Dominions the service of its Trade Commissioners in various parts of the Empire, and, subject to certain limitations, also the Commercial Diplomatic Officers and Consular Officers in foreign countries. Further, the Trade Commissioners in the Colonies have instructions to afford every assistance and advice to the Colonial Governments when consulted by them.

112. Quite recently, moreover, the Parliamentary Secretary to the Department of Overseas Trade has become Chairman of the Oversea Settlement Committee, and has assumed the responsibility in the House of Commons for all matters relating to settlement in the Oversea Dominions.

113. We therefore strongly recommend that the Department to which the Institute should be made responsible as soon as the reforms which we have recommended have been carried out, should be the Department of Overseas Trade. But although it is a constitutional necessity that some Department of His Majesty's Government should be charged with the duty of presenting to Parliament, as occasion may require, the needs of the Institute, and also of exercising such general supervision as is inseparable from a quasi-governmental institution, still we would wish it to be understood that, in our opinion, the arrangements we have proposed will leave but little occasion for direct interference with the internal economy or general management of the Institute. It would indeed be most undesirable that men of such scientific eminence and commercial standing as the Governing Body we propose should have their hands trammelled by any undue interference in their technical and scientific work. We have little doubt that, if our proposals are adopted, the authorities responsible for the Department of Overseas Trade will be able to make careful provision to guard against any such contingency.

114. We were instructed to report what legal measures would be required to give effect to any recommendations we might make. It is evident that, if our recommendations are carried out, the Acts of 1902 and 1916 must be repealed, and power must be taken to enable the new responsible authority to give effect to our proposals. We do not think that we can usefully make detailed recommendations as regards the necessary legislation, the drafting of which will be a matter for the legal advisers of the Government, but we would deprecate any fixing of hard-and-fast lines by statute which would tend to prevent adjustment and changing conditions otherwise than by the somewhat cumbrous method of fresh legislation, which is always reluctantly undertaken, and for which it is difficult to find time. The ideal arrangement would appear to be an Enabling Act, which would permit of our recommendations being carried into effect, either by Royal Charter or by Order in Council, and would also allow them to be modified from time to time to meet changing conditions as experience might show to be necessary.

115. If the changes which we have recommended could be carried out in this manner, and if the support of the Government concerned can be secured for a definite period, and on terms which

will permit the governing body of the Institute to plan their work with reasonable freedom from anxiety about its finances, we anticipate that the adoption of the first of our proposed schemes will ensure for the Institute a future of ever-increasing usefulness in the important functions it is called upon to perform for the Empire. On the other hand, if it proves impossible to carry out our recommendations under this scheme through lack of financial support, we submit for consideration, as an alternative, the more modest and less costly scheme, though in doing so we do not pretend that it presents as many advantages as our first scheme.

Summary of principal conclusions and recommendations.

116.—(1) The Imperial Institute is carrying out at present only a part of the work which it was empowered to carry out under the Royal Charter. (*Paragraph 38.*)

(2) Certain of the functions now performed by the Institute are not exclusive to it, as some are carried on at least in part by other institutions. (*Paragraph 39.*)

(3) There has been, and there still continues to be, a certain amount of overlapping and duplication of work between the Institute and other bodies. Much the most serious case is the overlapping between the work of the Imperial Institute and that of the Imperial Mineral Resources Bureau. (*Paragraphs 40-44 and 51-54.*)

(4) The most essential function of the Imperial Institute is that of a Clearing House for collecting and disseminating information, and for conducting through the appropriate scientific, technical and commercial organisations, enquiries and investigations regarding the raw materials of the Empire. (*Paragraph 80.*)

(5) The work of preliminary analysis and technical investigation of raw materials carried on in the laboratories of the Institute is almost as important, and should be retained. (*Paragraph 89.*)

(6) The Advisory Technical Committees of the Institute are doing useful work in conducting special enquiries and investigations into specific raw materials, *e.g.*, silk, timbers and rubber. (*Paragraph 69.*)

(7) Certain of the collections in the Exhibition Galleries are valuable, but some of the exhibits are inadequate and not representative of the various parts of the Empire. We understand that efforts have been made by the Institute to obtain from the Overseas Governments more up-to-date and comprehensive collections, but that they have been unsuccessful. The existing collections have a certain limited value for educational purposes, but would require development on a much larger scale (thereby entailing considerably increased expenditure) to be effective. (*Paragraphs 70-75.*)

(8) We recommend, therefore, that the Institute should discontinue the attempt to illustrate by means of Exhibition Galleries the natural resources of the Empire, and that a really representative selection of Empire products be made for the purpose of a travelling

exhibition of a purely educational character, and that the possibility of organising travelling exhibitions of the staple products of the Colonies and Protectorates in the appropriate trade centres should be considered. (*Paragraphs 84-87.*)

(9) The Imperial Institute should, however, continue to function at South Kensington as a Clearing House of Intelligence and Information, equipped with laboratories to enable it to carry on only the work of preliminary analysis and investigation of raw materials. All enquiries entailing elaborate investigation or real scientific research should be referred to the competent authorities. Reliable up-to-date sample rooms, illustrative of important Empire raw materials, should be maintained. (*Paragraphs 89 and 83-84.*)

(10) After the reforms recommended in the following sections in the management of the Institute have been carried out, we recommend the complete amalgamation of the Imperial Mineral Resources Bureau and the Imperial Institute. (*Paragraphs 59-60.*)

(11) We consider that the annual expenditure of the reformed Institute, allowing for the saving due to the elimination of the expenditure of the Exhibition Galleries, but including the cost of the work now done by the Imperial Mineral Resources Bureau, should be in the neighbourhood of £40,000 per annum. (*Paragraph 90.*)

(12) The scheme which we recommend for the future of the Institute is thus dependent on the support of the Oversea Governments being promised for a definite period. In the event of this support not being accorded, we have drawn up an alternative scheme under which the Institute could, from its own resources, continue to carry on only the most essential features of its present work, *i.e.*, that of an intelligence and information bureau without laboratories (*see 19*). (*Paragraph 91.*)

(13) We recommend that the present Executive Council of the Institute be abolished; and that its place should be taken by a Governing Body containing representatives of scientific institutions of trade and commerce, and of various Government Departments, as well as the Dominion High Commissioners or their nominees. (*Paragraphs 99-100.*)

(14) This Governing Body should delegate the greater part of its powers and the actual management of the institution to a small managing Committee numbering about six, representing, as far as possible, the various elements of which the larger Governing Body is composed. (*Paragraph 101.*)

(15) We recommend that the Director of the reformed Institute should be a purely administrative officer, and should no longer be a member of the Governing Body or of the Managing Committee. (*Paragraphs 102 and 104.*)

(16) We recommend that in future the technical work of the Institute be subjected to an independent annual inspection or visitation by scientific and commercial experts, who shall report on it both to the Governing Body and the Department of State responsible for the Institute. (*Paragraph 107.*)

(17) We recommend that as soon as the reforms outlined above have been carried out, the Institute should be made responsible to the Department of Overseas Trade. (*Paragraphs 111-113.*)

(18) If these recommendations are to be carried out, the Acts of 1902 and 1916 must be repealed. In their place an enabling Act might be passed to give effect to our proposals either by Royal Charter or by Order in Council. (*Paragraph 114.*)

(19) The proposal referred to above in (12) which is the only alternative—other than closing down entirely—if contributions from the Oversea Governments are not forthcoming, would entail the severance of the Institute from its home in South Kensington. The rental to be derived from the valuable premises in South Kensington, together with the interest on the Endowment Fund and the North Gallery “Annuity,” would enable the Institute to function as a Clearing House of information in some such district as Aldwych or Kingsway. Under this scheme, the present status of the Imperial Mineral Resources Bureau would presumably not be affected, but our other recommendations as to the future government of the Institute would hold good. The cost of maintaining the Bureau would remain, and contributions to it would be required, as at present, from the various Governments concerned, although contributions to the Imperial Institute would have ceased. (*Paragraphs 92-96.*)

117. In conclusion, we desire to express our high appreciation of the services of our Secretary. The able manner in which he has performed a laborious task has greatly facilitated our enquiry, and we are much indebted to him for his constant and willing assistance.

W. ORMSBY-GORE (*Chairman*).

WM. C. NOXON (*for the High Commissioner
for Canada*).

ISLINGTON.

KYLSANT.

J. STEVENSON.

H. LLEWELLYN SMITH.

A. S. BENN.

G. GRINDLE.

EDWARD DAVSON.

M. F. HEADLAM.

E. B. BOYD (*Secretary*),

Colonial Office,

August, 1923.

MINORITY REPORT BY THE HIGH COMMISSIONER FOR THE UNION OF
SOUTH AFRICA.

I regret that I am unable to sign the report of the Committee.

It is clear, from the evidence submitted to the Committee, that there is great diversity of opinion on four of the outstanding matters brought under their consideration : (a) The extent to which the Imperial Institute has achieved the objects which its promoters set before them and whether there is a need for its continued existence ; (b) whether the response from the Dominions, Colonies and Overseas possessions of the Crown indicates a desire on their part to maintain the Institute, and whether they evince a readiness to contribute a fair proportion to its support ; (c) whether the public utility of the Institute justifies the expenditure incurred, and (d) whether there is not much overlapping in the work of this and other institutions with similar aims.

I have been forced to the conviction that, while the Institute may have played a more useful part in the early development of the Colonies and Overseas Dominions than is now the case, the time has passed when it can be claimed to justify its existence and the cost of maintenance and to have realised the commendable hopes of its promoters.

It would seem to have outlived its usefulness in its present form, and, if it is to survive, it may be suggested that it should do so as a bureau for the receipt of enquiries from the Dominions, and for the purpose of putting enquirers in touch with either scientific experts or manufacturers. Even that branch of activity is now of doubtful value, since this duty can be performed by the offices in London and Overseas maintained by the Dominions and Colonies, or by the Crown Agents, but if the means thus provided are considered to be insufficient, and a bureau such as is indicated is held to be justified, might it not be accommodated by the Royal Colonial Institute and form a part of the activities of that Institution ? An alternative is a bureau which shall co-ordinate the activities of the various institutions now in existence.

It is always difficult and painful to come to such a decision as is outlined above, and, putting aside appeals to sentiment, which are no doubt inevitable, to view the matter purely from a point of view of practical usefulness and to treat the subject entirely on its merits. If the Institution is required, we are justified in asking for the expenditure of public money upon it, and for adequate contributions from the Dominions, Colonies and Possessions of the Crown Overseas. If it is not required, there is no excuse for the continued expenditure. What then is the test ? There is, I think, only one, and that is whether the Dominions ask for it and are willing to contribute. If that test is applied, the answer is plain. The Dominions of Australia and India have withdrawn their support entirely, while the other Dominions send but meagre contributions, and then under the protest of their several Parliaments.

It seems to be agreed that the Exhibition Galleries should be abandoned, and it is not necessary to say more than that the duty of exhibiting their products in this and other markets of the world may safely be left to the Overseas Dominions, Colonies and Possessions.

With respect to the other branch of activity, the maintenance of laboratories and staffs of highly qualified scientists cannot be defended in view of existing conditions. The necessary research investigation, if beyond the capacity of the staffs already maintained by the Dominions is easily available in this country, and it is equitable that the Dominions desiring such service should pay for it. Neither of these services, therefore, justify the maintenance of the Imperial Institute.

The evidence with regard to overlapping is recorded in the Report, and speaks for itself, and it confirms the conclusion to which I have been reluctantly driven.

It is perhaps necessary to add that no adverse criticism of the staff of the Institute is intended in this note. In every respect the responsible officials have done their utmost to make out of this Institute a living force for Imperial progress and unity. They have thrown into their work enthusiasm and self-sacrificing energy, and if in the development of the Empire an Institute such as this should be considered to have outgrown its usefulness, the fault is in no way theirs. They, at any rate, have done their part, and, whatever steps may now be taken to reorganise or replace the Institute, the services of these officials should be adequately considered.

E. H. WALTON.

STATEMENT BY THE HIGH COMMISSIONER FOR THE COMMONWEALTH OF AUSTRALIA IN A LETTER TO THE SECRETARY OF THE COMMITTEE OF 15TH AUGUST, 1923.

AUSTRALIA HOUSE,
STRAND, W.C. 2,
15th August, 1923.

DEAR MR. BOYD,

Replying to your letter requesting my signature to the Report of the Imperial Institute Committee of Enquiry, I forward the following brief summary of my views.

The evidence so far as I am able to follow it, makes it quite clear that the Imperial Institute in its present form has reached the limit of its usefulness. In addition to this, it has been established that there is overlapping in the work of this and of many other institutions of a similar kind, and the need for a thorough overhaul is long overdue.

The position of my own Dominion is that nearly all the work that the Institute could do is now being done in our own Technical and Scientific Bureaux. These are becoming every year more efficient and better equipped, with the result that the work formerly done by the Institute is now done in Australia with the same thoroughness, and, of course, much greater dispatch. The cost of these last year was a very large sum.

The Galleries as at present organised, are, to say the least, of doubtful utility so far as the Dominions are concerned. We have our own exhibition of Australian produce at Australia House already showing

on a larger scale and with much greater variety and freshness than those in the galleries of the Imperial Institute. The essence of a good and useful exhibition is that it should be constantly renewed and changed and re-adjusted as circumstances from time to time show to be necessary. We have a cinema at Australia House running all day, and on an average 2,000 people visit Australia House daily throughout the year. The films for this are regularly changed and new ones are constantly being received. Clearly, therefore, for all exhibition purposes, the galleries are no longer of much use to us.

On the other hand, evidence has been given showing that a re-organised and amalgamated bureau or institute could be made of great service to the people of Great Britain and the Colonies, and the scheme to be recommended for that purpose would be undoubtedly the first of the draft recommendations. This, at least, would provide for an amalgamation of the activities which now overlap and a re-organisation of the control and direction on a stronger and firmer and more business-like basis; this in turn would mean a better service for a decreased expenditure.

After all, there is one unfailing test to be applied to a matter of this kind, namely, the desire of the people to make use of these institutions and their willingness to pay for the services rendered.

The application of this practical test makes two things obvious:—

(1) That to be of the maximum service to the people of Great Britain and the Colonies thorough and speedy re-organisation is necessary, and

(2) That the Dominions as a whole are finding the need of it much less as their own institutions and organisations develop. Year by year they are clothing themselves in the same technical and scientific habiliments with much the same objects in view.

As the Committee knows, I have always felt some delicacy in taking part in their proceedings because our contribution has been discontinued (although Australia still contributes to the Imperial Mineral Resources Bureau), and I only make these brief observations now on the invitation of the Secretary that I should vote.

I assume, of course, that the consequences of re-organisation would be mitigated for those who may be affected, and especially for those who, charged with the direction of affairs, have rendered service entitling them to the gratitude of the Empire.

Yours sincerely,

JOSEPH COOK.

RESERVATION WITH REGARD TO THE EXHIBITION GALLERIES OF THE IMPERIAL INSTITUTE.

While approving, in general, of the terms of the report, we desire to add a reservation with reference to the recommendation of the Committee to abolish the Exhibition Galleries of the Imperial Institute.

These Galleries contain between thirty and forty separate collections of exhibits illustrating the nature and resources of the Oversea Countries of the Empire, every country within the Empire being now represented. In the last two years important improvements and many additions of new exhibits have been made in the Courts of at least thirteen countries. This comprehensive collection of Empire products in one building is unique in the Empire, and constitutes, in our judgment, a very important feature of the scheme and organisation of the Institute. From a practical and sentimental standpoint we consider that its abolition should only be effected under stress of bare financial necessity. In this connection we direct attention to the statement of the Director of the Institute appended to this Note.

We realise that the acceptance of Scheme 1 in the Report depends for its financing on the abolition of the Galleries, by which an additional source of income will be obtained from rent derived for the Galleries. Holding the view, however, that there is definite value and practical utility in their continuance, we should prefer that the future of these Galleries be left to the decision of the Imperial Conference, so that the Prime Ministers of the Dominions, with all the facts before them, including an estimate of the additional cost that would be thus entailed, could themselves form a judgment as to whether the continuance of the Galleries could be made compatible with their acceptance and support of Scheme 1 of the Report.

J. ALLEN.
ISLINGTON.
A. S. BENN.
EDWARD DAVSON.

NOTE APPENDED TO RESERVATION ABOVE.

A. (*Evidence and Information given by the Director respecting the uses of the Exhibition Galleries.*)

(1) *Educational.*

The importance of this exhibition, the only one in the Empire which illustrates geographically the nature and resources of the countries of the Empire, with illustrations of their life, industry and raw materials under one roof for public and educational purposes has been amply demonstrated. Schools and educational institutions are visiting these Galleries in increasing numbers, and find them attractive by reason of the maps, photographs, pictures, and other exhibits of general interest which are shown in addition to materials, and numbers of teachers have expressed their appreciation of the facilities offered to them by the Galleries.

A mere collection of commercial products would be a poor substitute for the different sections of the Galleries, as at present arranged geographically, to give a picture of the life and conditions and resources of the different countries.

(2) *Commercial.*

The Galleries are important for commercial purposes, especially as the exhibits are selected, described and arranged by an expert staff

with knowledge of the nature, sources of supply and uses of materials of all kinds. This staff is available to answer enquiries and to give technical and commercial information. All important exhibits have descriptive labels giving special information. The Galleries enable information to be supplied to numerous requests from commercial men and firms who desire to obtain special information, or to inspect or obtain samples of materials.

(3) *Investigations.*

The collections have frequently supplied materials needed for the conduct of important investigations at the Institute, and are essential for dealing with enquiries respecting materials. Examples have been given of investigations conducted with samples obtained from the Galleries, which have also been supplied for purposes of research to investigators in other institutions.

(4) *Intelligence.*

The collections of the different countries are of importance and value in assisting the work of the Technical Committees by whom they are constantly used, as well as for the identification of samples received for report. A number of enquiries respecting the sources of supply and nature of various materials have originated with exhibits seen by visitors to the Galleries. Samples of materials and other exhibits illustrating the nature and resources of different countries are also constantly supplied to museums and other institutions, as well as being lent to temporary exhibitions and for illustrating public lectures on the Empire.

The Galleries are also of importance in giving general information to people respecting particular countries of the Empire, and in this connection are of value to those who are thinking of emigrating or settling overseas.

The same applies in connection with University lectures on Imperial geography and resources, in which connection use is now being made of the Galleries, in addition to the extensive use for the more elementary teaching of geography in the schools.

With more publicity the range of usefulness of the Galleries could be largely extended.

B. (*Other Witnesses' Evidence.*)

(1) *Association of British Chambers of Commerce.*

Sir Algernon Firth (Association of British Chambers of Commerce) and the other witnesses from Chambers of Commerce stated that British commerce obtains very considerable value from the Exhibition Galleries.

Dr. Alfred Ree (Manchester Chamber of Commerce) stated that the advantage is also very large on the educational side, and, speaking for the Manchester Chamber, he said that from every point of view he could endorse what *Sir Algernon Firth* had said as to the feeling among business men with regard to the utility of the Galleries.

Mr. Pickering-Jones (Liverpool Chamber of Commerce) said that, as to the utility of the Galleries, commercial men had found them very useful. He could also speak from his own experience. On the previous Friday morning he had spent a most interesting hour in those Galleries, and had found at least two products coming from another part of the world which he did not know about, and he is going to see whether he can bring these from Nigeria to market here instead of the present limited local market for them.

(2) *Advisory Committee on Timbers.*

Mr. H. D. Searles-Wood (Royal Institute of British Architects) expressed the opinion that the exhibits in the Galleries are of use to architects chiefly as standards and as indicating a country's resources.

Mr. J. Richardson (Timber Trades Federation) stated that he had used the Galleries for many years, and that if he wants to see timbers from particular countries he goes there. There are motor-car builders on the Committee, and some of them have been testing the woods from various countries to see if they are suitable, and they may have selected these woods from the Exhibition Galleries. The Committee use specimens from the Galleries for testing, and these are their starting point. They show what each country has.

(3) *Advisory Committee on Silk Production.*

Sir Frank Warner (Silk Association of Great Britain) stated that, in obtaining not only information but samples of raw silk for preliminary consideration, the Committee has received invaluable assistance from the Collections maintained in the Exhibition Galleries.

(4) *Mineral Resources Committee.*

Admiral Sir Edmond Slade said that the Galleries are extremely useful for reference, and that he had been told of various questions which have been put up to the Institute arising to a great extent from what had been seen in the Galleries.

Professor J. W. Gregory stated that he considered that the Collections were of great service to the Institute and to the Empire. People coming from one of the Colonies can see what is being done in the utilisation of the resources of others. They may then realise that they have got materials of the same type and can suggest their utilisation. He also thought that the Collections have a great educational value, not only generally, but especially to visitors who come from the smaller Colonies, and considered that they are also of use and of purpose in inducing further development throughout the Empire.

C. (Resolutions.)

Association of British Chambers of Commerce.

"The Association believes that the Collections should be maintained and increased, not only on account of their importance to the commercial operations of the Institute, with which the Association is directly connected, but also on account of their value for educational purposes in the principal City of the Empire."

Liverpool Chamber of Commerce.

"The Collections, illustrative of the general resources and products of the Empire, have been, and will continue to be, of very great value, not only to the general public and to students, but also to the commercial community, whether merchants or manufacturers."

Manchester Chamber of Commerce.

"The Exhibition Galleries of the Institute are at present occupied by Empire Collections, which serve a most useful purpose in developing the resources of the Empire in raw materials."

Glasgow Chamber of Commerce.

"These Collections are of great importance in connection with the investigation of raw materials, and are also of great value to commercial enquirers and to the general public."

Raw Materials Committee.

"The Committee desire strongly to urge that these Collections should be maintained on public, educational and commercial grounds, and also that further steps should be taken to increase them and make them better known throughout the Empire.

"These Collections have been of the utmost value to the operations of the Raw Materials Committee in assisting the development of Inter-Imperial Trade and Commerce in Empire Raw Materials."

APPENDIX A IN NO. 1.

LIST OF WITNESSES.

Adamson, Sir Harvey, K.C.S.I.	...	Chairman of the Committee for India, Imperial Institute.
Ashley, Mr. Percy, C.B.	...	Assistant Secretary, Board of Trade.
Baker, Professor H. B., F.R.S.	...	Professor of Chemistry, Imperial College of Science and Technology.
Bray, Mr. G. T., A.I.C.	...	Senior Assistant, Scientific and Technical Department, Imperial Institute.
Breton, Mr. Norton, M.B.E.	...	A Member of the Silk Production Committee, Imperial Institute.
Butler, Dr. E. J., C.I.E.	...	Director, Imperial Bureau of Mycology.
Buxton, Rt. Hon. Earl, G.C.M.G.	...	Chairman of the Managing Committees of the Imperial Bureau of Entomology and Imperial Bureau of Mycology.
Clark, Sir Wm. H., K.C.S.I., C.M.G.		Department of Overseas Trade.
Deller, Mr. Edwin, LL.D.	...	Academic Registrar, University of London.
Dunstan, Professor W. R., C.M.G., LL.D., F.R.S.		Director, Imperial Institute.
Farmer, Professor J. B., F.R.S.	...	Professor of Botany, Imperial College of Science and Technology.
Farrell, Mr. F. J., M.Sc.	...	President of the Silk Association of Great Britain and Ireland; Member of Silk Committee of Imperial Institute, nominated by the Association.

Firth, Sir Algernon, Et.	Ex-President, Association of British Chambers of Commerce; Chairman of the Raw Materials Committee of the Imperial Institute.
Fraser, Mr. J. P.	Member of Timbers Committee of the Imperial Institute, nominated by Empire Forestry Association.
Goulding, Mr. Ernest, D.Scl., F.I.C.	Superintendent of Investigations, Scientific and Technical Department, Imperial Institute.
Graham, Sir Cecil	Glasgow Chamber of Commerce.
Gregory, Professor J. W., F.R.S., D.Sc.	Professor of Geology in the University of Glasgow; Member of the Mineral Resources Committee of the Imperial Institute.
Heath, Sir H. Frank, K.C.B.... ..	Permanent Secretary, Department of Scientific and Industrial Research.
Johnstone, Mr. S. J., B.Sc., A.I.C. ...	Assistant Superintendent, Scientific and Technical Department, Imperial Institute.
Jones, Mr. J. Pickering	Liverpool Chamber of Commerce; Member of the Raw Materials Committee of the Imperial Institute.
Marshall, Dr. G. A. K., C.M.G., F.R.S.	Director of Imperial Bureau of Entomology.
Miller, Mr. H. Eric	Rubber Growers' Association; Member of the Ceylon Rubber Research Committee of the Imperial Institute.
Miller, Mr. Robert	Liverpool Chamber of Commerce; Member of the Raw Materials Committee of the Imperial Institute.
Morris, Rt. Hon. Lord, K.C.M.G., K.C.	Vice-Chairman, Imperial Mineral Resources Bureau.
Redmayne, Sir Richard, K.C.B. ...	Chairman, Imperial Mineral Resources Bureau.
Rée, Dr. Alfred	Manchester Chamber of Commerce; Member of the Raw Materials Committee of the Imperial Institute.
Richardson, Mr. J.	Member of the Timbers Committee, Imperial Institute, nominated by the Timber Trade Federation of the United Kingdom.
Rosling, Sir Edward	Representing Ceylon planting interests on the Ceylon Rubber Research Committee of the Imperial Institute.
Searles-Wood, Mr. H. D., V.P.R.I.B.A.	Chairman of the Timbers Committee of the Imperial Institute, nominated by the Royal Institute of British Architects.
Seymour, Mr. W. H.	Association of British Chambers of Commerce; Member of the Raw Materials Committee of the Imperial Institute.
Slade, Admiral Sir Edmond, K.C.V.O., K.C.I.E.	Vice-Chairman, Mineral Resources Committee of the Imperial Institute.
Tozer, Mr. H. J.	Industries and Overseas Department, India Office.
Waring, Mr. H. J., M.B., M.S., B.Sc., M.R.C.S.	Vice-Chancellor, University of London.
Watts, Professor W. W., F.R.S. ...	Professor of Geology, Imperial College of Science and Technology.
Wright, Mr. Herbert	Chairman. Executive Committee. Imperial College of Science and Technology.

APPENDIX B IN No. 1.

RESOLUTION OF INTER-DEPARTMENTAL COMMITTEE ON CO-OPERATION
BETWEEN THE BOARD OF TRADE AND THE IMPERIAL INSTITUTE.

(1) The Imperial Institute should deal with enquiries as to the sources of supply of raw materials produced within the Empire in connection with their industrial and commercial utilisation. Either the Board of Trade or the Imperial Institute may deal with enquiries as to supplies immediately available, but the Board of Trade should as a rule deal with enquiries for ordinary supplies of well-recognised raw material through the usual trade channels.

(2) The Imperial Institute should undertake all necessary investigations of the value and uses of raw materials produced within the Empire.

(3) The Imperial Institute and the Board of Trade should co-operate in cases in which the questions concerned involve special statistical and trade information as well as technical treatment.

No. 2.

Imperial Economic Conference.

CO-OPERATION FOR TECHNICAL RESEARCH.

MEMORANDUM BY THE SECRETARY OF STATE FOR THE COLONIES.

HIS Majesty's Government have considered the Report of the Imperial Institute Committee of Enquiry, a copy of which is attached,* and find themselves in general agreement with the conclusions at which the majority of the Committee have arrived. They therefore propose to the Conference the adoption of the Committee's scheme for the continuation of the Imperial Institute on a contributory basis as a Clearing House of Information and a centre for the investigation of the raw materials of the Empire on the lines recommended in the Report and for the amalgamation of the work of the Institute and of the Imperial Mineral Resources Bureau. They also propose that the Exhibition Galleries shall be dealt with as recommended by the Committee.

His Majesty's Government desire to draw particular attention to the statement in the 91st paragraph of the Report that it is a condition precedent to the Committee's recommendations that a definite assurance can be obtained that a guaranteed income of approximately £40,000 a year will be available for a period of years for the purpose of the new amalgamated Imperial Institute and Imperial Mineral Resources Bureau, and to the view expressed by the Committee that in the absence of such an assurance their recommendations are doomed in advance to failure. The history of the past few years amply confirms these statements. It is impossible for the Institute or any institution to perform its functions unless it can be assured of the necessary minimum revenue for a reasonable term.

If no definite assurance that the full amount of the income required to carry out the Committee's recommendations will be available is forthcoming from the Conference, there would appear to be no option but to adopt forthwith the Committee's alternative scheme for the continuation of the minimum of the more important functions of the Institute so far as the income available without Government contributions will allow. Although His Majesty's Government would regret this necessity, it is, in their opinion, essential that the Governments concerned should be aware that it is their intention to adopt the alternative scheme unless it is clear that the necessary support for the Committee's proposals is assured at the Conference.

It will be observed that under their alternative scheme the Committee do not propose that any change should be made in the status of the Imperial Mineral Resources Bureau. The Bureau, therefore, will remain in being, and will no doubt continue to receive contributions, as at present, from the Governments concerned. In 1922, the last year for which a report is available, the Bureau received in contributions from His Majesty's Government and the Oversea

* No. 1.

Governments a total of £14,283, as compared with a total contribution by His Majesty's Government and the Oversea Governments to the Imperial Institute of £38,269 for the corresponding year.

The following estimate of the cost of carrying out the Committee's proposals has been prepared :—

Estimate of Cost of Scheme proposed by the Imperial Institute Enquiry Committee.

EXPENDITURE.		REVENUE.	
	£		£
Present expenditure of the Imperial Institute, less the proportion due to the Galleries	28,000	Endowment Fund	3,426
Additional expenditure due to absorption of the functions of the Imperial Mineral Resources Bureau	8,000	Annuity (North Gallery) ...	864
Contingencies	3,000	Fees for work done ... (say)	1,710
		Rent of Exhibition Galleries	8,000
		Leaving to be provided by Government contributions...	25,000
	<u>39,000</u>		<u>39,000</u>

His Majesty's Government are prepared to propose to Parliament an annual grant of £9,000 a year for a period of 5 years and to invite the Colonies and Protectorates to agree to contribute between them an annual grant of £8,000 for the same period, on condition, but only on condition, that the Governments of the Dominions and India are willing to give assurances that they will make contributions amounting in all to £8,000 for the fixed period of 5 years.

DEVONSHIRE.

October, 1923.

APPENDIX IN NO. 2.

TREASURY CHAMBERS,

September 29, 1923.

SIR,

I have laid before the Lords Commissioners of His Majesty's Treasury Sir G. Grindle's letters of the 14th* and 22nd* instant, enclosing a copy of the Report of the Committee appointed to consider the functions and future of the Imperial Institute, and a draft statement† with which the Secretary of State proposes to preface the Report in submitting it to the Imperial Economic Conference.

My Lords note that the Duke of Devonshire has accepted the Report, and they do not desire to dissent on financial grounds. They concur most strongly in the view that the income of the Institute should be assured for a term of at least five years, and they would also consider it essential for its well-being and usefulness that contributions should be made by all the Dominions. Should the scheme outlined in the Report not prove acceptable to the Dominions, His Majesty's Government would resume complete freedom of action, either to adopt the alternative suggested by the Committee or to take steps to close the Institute.

Their Lordships observe that, in any event, the Exhibition Galleries will be available for other purposes, and they are prepared to contribute to Institute funds the rental value, estimated at £8,330. In order, however, that profitable use may be made of this space and of any other space that may be set free if the

* Not printed.

† No. 2.

main scheme of the Report be not adopted, they are bound to require that the decision on the future of the Institute should be taken at the Imperial Conference.

With regard to the actual amount which it is proposed that His Majesty's Government should contribute, my Lords would have preferred that the British contribution should be the same as those proposed for the Dominions and Colonies respectively, viz., £8,000; and they consider that, having regard to the savings on salaries, rent, and publications of the Imperial Mineral Resources Bureau when its functions are absorbed, a sum of £24,000 would have represented a reasonable estimate of the total contribution required.

But if the Secretary of State feels strongly that £25,000 represents a more probable figure, my Lords will not raise objection to the British Exchequer contribution being fixed at £9,000 per annum.

I am, &c.,

G. L. BARSTOW.

The Under-Secretary of State,
Colonial Office.

No. 3.

IMPERIAL INSTITUTE COMMITTEE.

REPORT.

This Committee, appointed by the Imperial Economic Conference at its meeting on Tuesday, the 16th October, begs to make the following report.

The Committee, which consists of representatives of Great Britain, Canada, the Commonwealth of Australia, New Zealand, the Union of South Africa, the Irish Free State, Newfoundland, India, and the Colonies and Protectorates, was instructed to consider the report of the Imperial Institute Committee of Enquiry, 1923, and to report to the Imperial Economic Conference thereon.

The Committee have prepared the following Resolutions, which they would suggest should be submitted for adoption by a plenary meeting of the Imperial Economic Conference.

RESOLUTION 1.

The Committee recommend the adoption by the Imperial Economic Conference of the following resolution :—

“ The Conference recommends the adoption of the first of the two schemes for the future of the Imperial Institute and the Imperial Mineral Resources Bureau proposed in the Report of the Imperial Institute Committee of Enquiry, 1923, subject to the following modifications :—

- (i) That in order to ensure that the reconstituted Imperial Institute may in future undertake in its laboratories only preliminary investigations of raw materials for the purpose of ascertaining their possible commercial value, and to ensure that investigation or research of a more extensive kind may be referred to the appropriate authority, whether in this country or elsewhere in the Empire, there shall be formed a small committee of the Governing Body to be known as the ‘ Laboratory Committee,’ consisting of the Comptroller-General of the Department of Overseas Trade (or his nominee), the Secretary of the Scientific and Industrial Research Department (or his nominee), and a Fellow of the Royal Society, being a representative of that Society on the Governing Body of the Imperial Institute, who will supervise the laboratory work of the Institute and report thereon from time to time to the Governing Body.
- (ii) That, with a view to ensuring that in future the reconstituted Institute may have expert assistance in regard to finance, *e.g.*, in establishment matters, a representative of His Majesty’s Treasury be added to the new Governing Body and to the new

Managing Committee proposed in paragraphs 100 and 101 of the Report of the Imperial Institute Committee of Enquiry."

Sir James Allen, however, the representative of New Zealand, wishes it made clear that he adheres to the reservation attached to the Report of the Imperial Institute Committee of Enquiry; and, while assenting in general to the previous recommendation, reserves complete liberty of action for the New Zealand representatives at the Imperial Economic Conference in respect of the recommendation to abolish the Exhibition Galleries of the Institute.

RESOLUTION 2.

The Committee recommend the adoption by the Imperial Economic Conference of the following resolution :—

"The Conference approves the estimate of the cost of maintaining the reconstituted Institute as set out in paragraph 5 of the memorandum* by the Secretary of State for the Colonies submitted to the Conference and suggests that in order that the sum of £8,000 which is proposed as an annual contribution from the Dominions and India may be obtained, the Ministerial Representatives of the Dominions and of India advise their respective Legislatures to contribute the following annual amounts for a period of five years :—

	£
Canada	2,000
Commonwealth of Australia ..	2,000
New Zealand†	1,200
Union of South Africa	1,200
India	1,200
Irish Free State	200
Newfoundland	200."

Signed on behalf of the Committee,

SALISBURY,

Chairman.

31st October, 1923.

* No. 2.

† On the understanding that New Zealand is willing to raise this amount to £1,500 provided that the Exhibition Galleries of the Institute are retained.

No. 4.

IMPERIAL ECONOMIC CONFERENCE, 1923.

18TH MEETING HELD ON FRIDAY, 2ND NOVEMBER, 1923, AT 3 P.M.

It was agreed :—

That Resolutions* 1 and 2, recommended for adoption by the Imperial Institute Committee of the Conference, be adopted.

* In No. 3.