Farm Credit Administration

F. F. Hill, *Governor*

E. A. Stokdyk, *Deputy Governor, In Charge of Research*

Cooperative Research and Service Division

T. G. Stitts, *Chief*

W. W. Fetrow, *Chief Economist*

Business Administration
K. B. Gardner
H. C. Hensley

Cotton
Omer W. Herrmann
Otis T. Weaver
John S. Burgess, Jr.

Dairy
T. G. Stitts
D. D. Brubaker
Wm. C. Welden
Paul E. Quintus
Harry C. Trelogan

Fruits and Vegetables
A. W. McKay
M. C. Gay
N. Fogelberg
H. W. Mumford, Jr.
J. H. Heckman
Ford A. Quitslund

Grain
Harold Hedges
Harry E. Ratcliffe
E. B. Ballow

History and Statistics
R. H. Elsworth
French M. Hyre

Insurance
V. N. Valgren
K. H. Hunter

Livestock and Wool
C. G. Randell
L. B. Mann
H. H. Hulbert
James M. Coon

Poultry
John J. Scanlan
Roy W. Lennartson

Purchasing
Joseph C. Knapp
John H. Lister
Gerald M. Francis

Special Crops
H. M. Bain

Traffic
Charles B. Bowling

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

Copies of this publication may be obtained upon request, while a supply is available, from the Director of Information and Extension Farm Credit Administration, Washington, D. C.

Operations of Cooperative Grain Elevators in Kansas and Oklahoma 1931-32 to 1936-37

by Harold Hedges

Principal Agricultural Economist

Farm Credit Administration

Cooperative Research and Service Division

Washington, D. C.

Bulletin No. 30 January 1939

For sale by the Superintendent of Documents, Washington, D. C. - - - - - - - - - - - - Price 10 cents

Contents

Summary

FARMERS' elevators in Kansas and Oklahoma, during the last 40 years, have improved substantially the local handling of grain. Local grain margins have been reduced materially and faults in grading and weighing practices have been largely remedied.

Cooperative elevators are so widely scattered over these two States that their influence on local grain-handling methods and costs is felt at nearly every shipping point. Kansas cooperative elevators numbered 271 in 1937. They had about 38,000 members whose total investment was more than $8,000,000. Oklahoma had 91 elevators with about 13,500 members, who had invested approximately $2,300,000.

In 1937, the 271 Kansas associations reported handling about 28½ million bushels of grain, and 11 million dollars' worth of side lines, largely coal, feed, seed, and petroleum products. The 91 Oklahoma elevators reported handling 10 million bushels of grain, and 2 million dollars' worth of side lines.

The cooperative elevators of the two States were studied on an area basis—three areas in Kansas and one in Oklahoma. Those in eastern Kansas were in the least satisfactory financial position; on the average they had less than $2 of current assets for each dollar of current liabilities. Those in the other three areas had an average of more than $4 of current assets for each dollar of current liabilities.

Despite depression and drought, the elevators in each area obtained fairly satisfactory operating results from 1931–32 to 1936–37, with distinct improvement in eastern Kansas and some change for the better in Oklahoma.

Both the number of members and the number of member-patrons were closely related to grain volume and also to business volume. Eastern Kansas elevators were in greatest need of bringing membership up to 100 or more in order to assure enough business volume for efficient operation. Southwestern Kansas elevators were least handicapped with less than 100 members or 75 member-patrons.

Associations with capital stock of low par value had a distinct advantage in number of members and of member-patrons over those with stock of high par value.

Grain volume varied less from year to year in eastern Kansas and Oklahoma, reflecting more stable production conditions. Side-line volume varied less than grain volume in each area; changes in the value of side-line sales were caused mainly by changing price levels.

Associations handling less than 100,000 bushels of grain had the greatest need for side lines to add to business volume. By obtaining sufficient side-line income to cover 40 percent or more of expenses, elevators handling less than 100,000 bushels of grain nearly doubled their chances of making net gains.

Side lines were most important in the two western Kansas areas, contributing, on the average, enough income to cover two-thirds of the total expenses as against less than half in the other two areas.

It cost materially more to handle a dollar's worth of side lines than a dollar's worth of grain. As the proportion of side-line sales to total sales increased, expense per dollar of sales also increased.

As total business volume increased, expense per dollar of sales tended to decrease. Increases in sales beyond $150,000 had a less pronounced tendency to reduce unit costs. Considering year-to-year variations in grain volume and bushel costs of individual associations, those having large average volume have a distinct advantage in unit cost over small-volume elevators, because there is less chance of their volume decreasing to a point where bushel costs will exceed the margins taken on the grain.

Other means of decreasing expense per dollar of sales were found in utilizing the labor of employees to best advantage and in making the most effective use of the elevator plant and equipment.

The local cooperative elevators of Oklahoma sold 70 percent of their grain through cooperative regional agencies in 1937, against 53 percent in southwestern Kansas and 39 percent in eastern and northwestern Kansas.