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FIFTY YEARS OF FARMERS' ELEVATORS IN IOWA

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Typical elevator structure and other buildings of a farmers' elevator company.

AGRICULTURAL EXPERIMENT STATION
IOWA STATE COLLEGE OF AGRICULTURE
AND MECHANIC ARTS

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AGRICULTURAL ECONOMICS AND FARM
MANAGEMENT SECTION

AMES, IOWA

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FIFTY YEARS OF FARMERS' ELEVATORS IN IOWA

By E. G. Nourse

The entrance of Iowa farmers into the business of handling grain dates back almost to the beginning of the country grain trade in the state, that is, about the time of the Civil war. Prior to that time, Iowa producers had teamed their grain all the way to Chicago or, later, to one of the river markets that grew up at several points on the Mississippi. By 1860 there were six short railroad stubs connecting towns in the eastern counties of the state with these river markets, and three roads had rail connections east to Chicago. But it was not till in the late 60's and the 70's that the expansion of railroads over the state, the great increase in cereal production and the marvelous development of export trade gave a great stimulus to the local grain shipping business.

There appear to have been two general reasons which caused farmers to organize companies of their own to handle grain. One was because of the failure of any other party to provide the necessary facilities, and the other was dissatisfaction with such private agencies when they were set up. It was a time when capital in the state was by no means adequate to its rapidly expanding needs. Both railroad companies and terminal grain concerns brought in outside capital to construct elevators at the many towns that were one after another being reached by the railroad. Local capitalists were also active in the same field. When none of these private interests came forward promptly, the farmers got together to provide a local market for themselves. In cases where they built the first elevator to be located at a given station, the movement could hardly be attributed to dissatisfaction with existing dealers. However, it was doubtless due in some measure to what they heard of conditions at other towns or to their own previous experience in selling at stations where private dealers made the local market.

Certain it was that the farmers of that day were inclined to feel, on the basis of their experience and observation, that the ordinary local grain shipping concern was operated in a manner which produced good profits for the grain trader and the railroad rather than a satisfactory price to the producer for his grain. These were times of a disturbed currency system, rampant speculation and commercial abuses in many lines, and the farmer saw clearly that he should have some sort of business organization to protect his own interests in the marketing conditions by which he was confronted.

THE GRANGE INFLUENCE

Thus the first farmers' elevator movement became identified with the new farmers' organization which grew up so rapidly in the mid-west states after 1868, the Patrons of Husbandry, commonly called the Grange. The Grange had a tremendous growth in Iowa during several years following its establishment in the state in 1869. While a considerable part of its program was social and legislative, the organization also went into the business of selling farm produce and buying farm supplies on a large scale. Its connection with the grain business shows three general features. First, the Grange undertook to sell all kinds of farm products thru county and state brokerage offices, and doubtless a considerable amount of grain was loaded at local stations by the scoop shovel method and sold by the Grange agents, even at stations where the farmers never really had an elevator. Second, Grange warehouses were built at several points, providing separate bins for the farmer members. This grain would be sold for the farmer, but the Grange agent would not buy it outright as is done by the manager of the ordinary farmers' elevator. Third, there were Grange elevators of the present type, in which the grain is dumped together and handled in the most economical way, being bought outright and sold for the account of the elevator company.

As a matter of fact, the very earliest of the farmers' elevators preceded the coming of the Grange and appear to have sprung up spontaneously at a few towns where the farmers felt most keenly the need of a grain selling company of their own. The first of such attempts was made at Blairstown in 1867 or '68 and ran for only about two years, altho a new company was established there in 1873. The first farmers' elevator for which incorporation papers were taken out was at Brooklyn, the county seat of Poweshiek county. This elevator was incorporated in July, 1869, for \$10,000 and was known as the "Farmers' Union Elevator." This was followed by the St. Ansgar Protective Association in 1871, altho the latter was not incorporated until 1873. By 1872 the Grange influence was definitely shown in the fact that four elevator companies were incorporated in that year, three of which indicated their Grange affiliation by the name which they adopted or by special features of their articles of incorporation. The title, "Patrons' Joint Stock Company," first appeared at this time and was used frequently during the next five years. Other titles were "Grange Elevator (or Warehouse) Company", "Farmers' Stock Company of.....", "Stock Company of Patrons of Husbandry", "Farmers' Shipping Association", "Elevator and Warehouse Association of Patrons of Husband-

ry", "Grangers' Union", "Patrons' Cooperative Association", "Farmers' Joint Stock Company", "Patrons' Produce Company", "Farmers' Home Elevator Company", and (without Grange connection) "The Swedish Farmers' Society."

HIGH TIDE IN 1874

The years 1873 and '74 marked the high water period of this movement, with 12 companies formed in the former and 14 in the latter year. This makes a total of 33 farmers' elevators from the beginning up to the end of 1874, counting the first attempt at Blairstown, of which very little is known. The report of the state Grange for 1874 asserted that there were then 53 Grange elevators in Iowa. This is very evidently an exaggeration and was probably arrived at by including all the county units of the Patrons of Husbandry along with the elevator companies, properly speaking, and by counting also a number of places where organization meetings had been held but no grain company was actually put in operation.

Five elevator organizations were formed in 1875 and three more in 1876. With one new company in 1877 this movement came to a close. The Swedish Farmers' Society, formed in this last year, had no connection with the Patrons of Husbandry. A careful search of all available sources of information* yields a list of 42 grain elevators or warehouses established during the decade. The location of these organizations is shown in fig. 1, and the date of their establishment in table I.

Altogether a considerable amount of grain was handled by the Grange selling agents and elevator companies. Some writers have gone so far as to say that at least 50 percent of the grain of the state was handled by the Grange organizations at the height of the movement. We have no information as to how many elevators of all kinds there were in the state at that time or what the total grain movement amounted to, but even taking into account the grain shipped by Grange agents at points where

Table I. Elevators Operating During the First Period

Year	No. Organized in Given Year	Ceased Business in Given Year	Total Operating in Given Year
1867	1 (?)	0	1
1868	0	0	1
1869	1	1	1
1870	0	0	1
1871	1	0	2
1872	4	0	6
1873	12	3	15
1874	14	1	28
1875	5	7	26
1876	3	7	22
1877	1	3	20
1878	0	7	13
1879	0	8	5
1880	0	2	3
1881	0	2	1
1882	0	0	1
1883	0	1	0
Total	42	42	—

*For many of the details relative to the early history of the movement, the writer is indebted to Mr. Troy M. Deal and Mr. C. W. Crickman of the Iowa Agricultural Experiment Station staff, who searched the files of old newspapers and farm journals and checked the records of incorporation in the office of the Secretary of State. Both Mr. Crickman and the writer supplemented this information by personal interviews at a large number of towns where elevators were reported to have been in operation. Several county agents also rendered valuable assistance by securing such information for their respective counties.

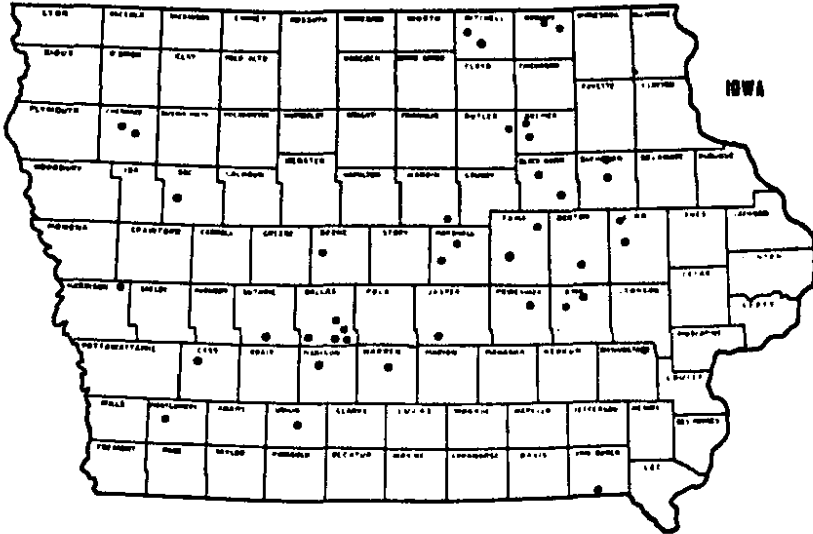


Fig. 1. Location of farmers' elevators of the first group, 1869 to 1877, inclusive.

they had no elevator, it seems quite clear that their business never amounted to anything like 50 percent of the total state shipments. Aside from the actual volume of grain handled, however, they appear to have put the farmers as a whole in a position to secure a better price on grain shipped thru the ordinary commercial channels.

WERE THESE ASSOCIATIONS COOPERATIVE?

Very little remains in the records to give an adequate idea of the nature of the early farmers' elevator organization. As shown above, a majority of the groups incorporated as regular stock companies, altho others simply operated as voluntary associations. There were not at that time any cooperative laws on the statute books and the meager records of the movement make no direct statement as to patronage dividends or other cooperative practices. This leaves it doubtful whether the Grange elevators followed strictly cooperative procedure. The stock was sold chiefly to farmers and an effort was made to secure for the producers as a whole as good a price as possible, rather than to keep prices down and pay large dividends on stock. When grain was sold by the county and state agents, there was no chance for a patronage dividend and the history of all the elevators on which data can be secured indicates that instead of profits to be distributed, there were generally losses to be adjusted.

As to other cooperative features, it is interesting to observe that from the beginning there was evident a tendency to place

limitations upon the holding and transfer of stock and the exercise of control of the company thru the voting privilege. The articles of incorporation of the first farmers' elevator company (Brooklyn, 1869) place a limit of \$500 upon the stock holdings of any individual, and at least 16 others had restrictions of this sort, several of which were as low as \$25. Only one exceeded \$500. In 1873 the "one man, one vote" provision appears and that or substantially the same restriction appears in the articles of incorporation of some 12 farmer companies of this Grange period. Others, of course, may have had such a rule in their by-laws or have followed it in practice. Many of the companies also restricted membership to persons belonging to the order of Patrons of Husbandry. At least 22 companies had this latter restriction in their articles and 12 set forth that stock could not be sold or transferred freely, but could go to Grangers only or revert to the company. Thus it appears that, even tho no cooperative law was available at the time, most of the essentials of cooperative practice were introduced even in the early movement. The word "cooperative" first appears in the legal title of an elevator in the case of the "Patrons' Cooperative Association" at Hazelton, incorporated in 1876, altho several farmers' associations in other lines of business employed it before this time.

DECLINE OF THE GRANGE ELEVATORS

The Grange elevator movement was short-lived. After 1874 the Grange itself declined rapidly, so that by the end of the decade it had ceased to be an active influence. At the same time, shipping facilities improved and the economic position of the farmer became better with the recovery of the country from the panic of 1873, the growth of the export grain trade and the improvement of competition at the local market, due in part doubtless to the stimulus given by the Grange elevators themselves. It is clear, also, that the farmers' elevators were rather hastily and imperfectly organized, inadequately financed and by no means a match commercially for the private grain dealers who were now competing vigorously for the business.

In many cases the elevator company failed because of the lack of sufficient funds to carry on its business. Capital was scarce among the farmers and in some instances it was doubtful business wisdom to take money from their regular farming operations to put into an elevator company. Frequently the Grange activity resulted in the building of an additional elevator at a point which was already fully supplied, particularly in view of the fact that the trend of the times was away from wheat growing and toward general farming with more livestock to consume the grain produced. It should be remem-

bered also that the commercial program of the Grange was not primarily designed for remedying the abuses of the grain trade. It was not directed specifically and effectively toward the building up on sound business lines of a farmers' elevator system. Instead, efforts were directed rather vaguely toward the solving of all the buying and selling problems of the farmer at once. General mercantile stores under Grange auspices were prevalent, but far from successful, altho several Grange stores lasted longer than any of the farmers' elevators of the period. Several of the Grange organizations covered in this report mentioned manufacturing as one of their objects, and the ill-advised attempts to enter the manufacturing field constituted one of the noteworthy causes of failure for the Grange as a whole.

The quality of management also was one of the weakest points in the Grange elevator efforts. There was a very inadequate understanding of the grain business or appreciation of the necessity for business skill and experience. Rivalry for office was keen and "Grange politics" altogether too much of a factor. Only too often, as a result, the position of manager went as a plum to some farmer who was a good Granger, but a very poor grain man.

SOME BENEFIT FROM THE MOVEMENT

The exact time and circumstances of the disappearance of this early group of farmer grain-selling organizations have been only very inadequately recorded. From extensive inquiries among the older residents of towns at which these early elevators were located it is learned that they operated for periods running from a year or even less up to perhaps eight years. In a number of cases lack of funds after the elevator had been bought or built, or a consciousness of inexperience in the grain business led to the renting of the elevator property from the start or after a few months of unsuccessful operation. In other cases, stockholders who found their elevator investment unprofitable and who very likely felt the need of money in their individual farming operations sold their stock to outsiders. Limitations upon the transfer of stock to members of the Patrons of Husbandry often became a dead letter and control passed from the Grange to private interests by this purchase of the stock at a larger or smaller fraction of par value. Toward the end it was sometimes given away.

Nevertheless, a number of the companies did a large and apparently successful business for a few years while Grange enthusiasm was at its height. But loyalty was not based on an adequate understanding of the needs and benefits of true co-

operative organization, and hence they were unable to weather any serious storms. Even at that it was a valuable first lesson, showing the farmers what could be accomplished when they did pull together, but emphasizing also that a very definite and efficient business organization was needed to produce results. Reliance on enthusiasm and crudely constructed and badly managed companies had shown themselves capable of producing losses instead of gains.

It has been impossible to find authentic evidence of more than six elevators of this period which remained in operation for a period longer than five years. Over half the total number had failed by their third year, and only the Swedish Society formed in 1877 and two others, formed in 1874 and 1875, respectively, appear still to have been in operation at the close of 1880. Probably the largest number of elevators in operation at any one time was 28. This was in 1874. But the movement collapsed rapidly from 1876 on, and there followed a period of nearly ten years in which farmers were practically out of the grain business so far as any regular farmers' elevators were concerned. There was a period of three years from 1883 to 1886 when there was no farmer company in the state, altho of course some farmers owned stock individually in various private elevator corporations. The rise and decline of this first elevator movement is shown in fig. 2.

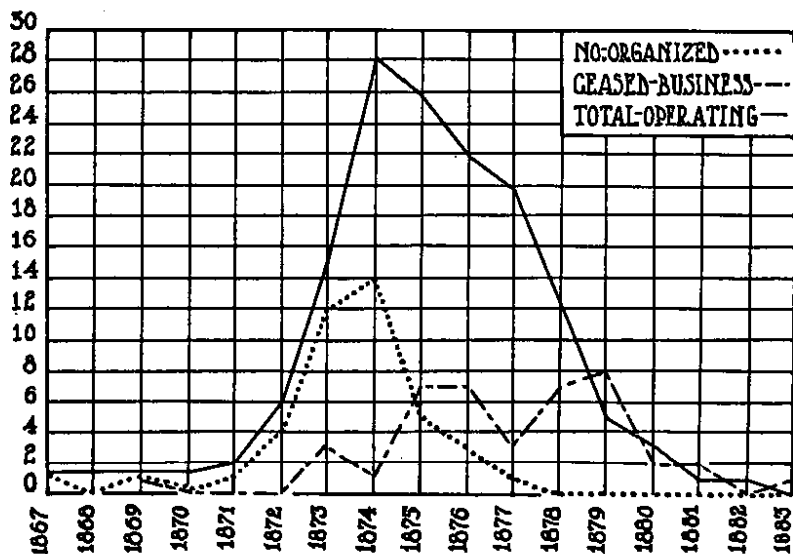


Fig. 2. Graph showing rise and decline of first farmer elevator movement.

THE SECOND FARMER ELEVATOR MOVEMENT

The decade of the '80's in the United States was marked by the growth of big business organizations, the dominance of the railroad official and the birth of the so-called trusts. In spite of the expansion of both the foreign and domestic market for grain, production grew even more rapidly and prices were by no means satisfactory. Iowa farmers began to turn their thoughts again toward some form of organization which would improve their economic condition. On the side of general farm organization, they became interested in the Farmers' Alliance, which flourished from about 1885 to 1895, but which never swept the state as had the Grange. They turned also to the idea of strictly commercial organizations for the bettering of their business relations. In the matter of grain marketing they found that the competitive local market had gradually given place to a situation in which powerful line elevator systems, in league with the railroads on the one side and the coal, lumber and farm implement interests on the other, were exploiting the farmer both on the supplies he needed to run his farm and on the grain which he produced upon it.

Whatever had been the shortcomings of the first elevator movement of the '70's, it had at least shown the farmers that they did not have to submit to intolerable conditions in their local grain market, but that they could unite to handle their own grain thru to the terminal market. Therefore, as conditions got worse and worse during the '80's, groups of farmers here and there revived the efforts which had been made 10 or 15 years earlier to establish farmer grain companies.

In many ways this second elevator movement faced a more difficult task than had the first attempt. The farmer elevators of the earlier group had entered the field when other elevators were absent or were small and new concerns like themselves. But the farmer companies of the late '80's and early '90's came into being expressly for the purpose of combating a powerful organization of private grain interests already in possession of the field. Likewise there was no powerful general farmers' organization to rally support to the project and give it more than local backing. The Alliance looked largely to political action and legislative remedies and never identified itself in any positive way with the elevator movement. This, while it lessened popular interest, also protected the farmers' elevator from the evils of an artificial boom period such as had proved so disastrous to the Grange elevators. The second elevator movement spread very slowly from two or three points of origin in north central and northwestern Iowa, new companies learning methods of organization and operation from the elevator already established in some nearby town, and the whole

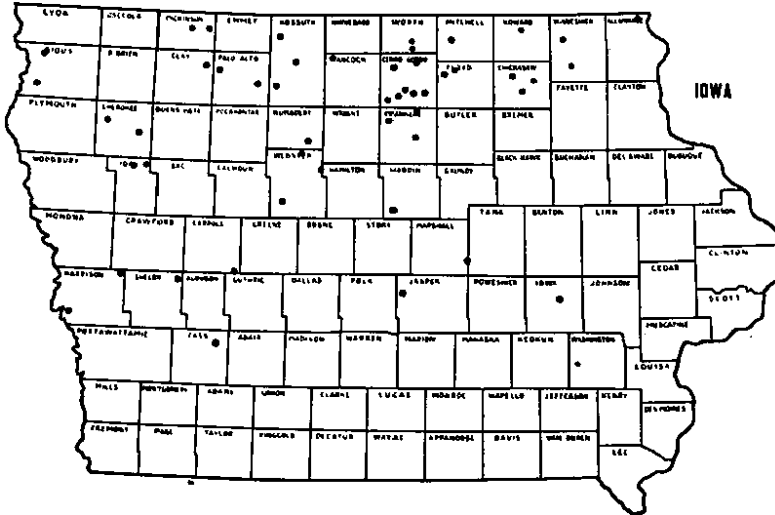


Fig. 3. Location of farmers' elevators of the second group, 1886 to 1908, inclusive.

group fighting its way against determined opposition of the line and independent companies. The local character of this development is shown on the map (fig. 3).

A PERMANENT FOUNDATION

The stiff opposition they were forced to content with compelled the farmers' elevators to adopt a stronger form of organization and devise some means of insuring the consistent and permanent support of their members. This was done thru the inclusion of truly cooperative provisions in the articles of incorporation and the by-laws of these companies much more adequately than had ever been done before, and particularly thru a device known as the "maintenance clause."

These measures were sufficiently successful so that several elevators of this group have continued in business down to the present time. These include the farmers' elevators established at Marcus in 1887, at Rockwell in 1889, at Rockford in 1891, and at Rock Valley in 1892. These four companies therefore represent the first stones of the permanent foundation upon which the present farmers' elevator movement has been built.

Rockwell is generally given the credit of being the oldest survivor which has been in continuous operation as a farmers' company in the state. Marcus preceded it by two years and is still in successful operation. Its record, however, is somewhat impaired by the fact that during a period of several years prior to the reorganization of the company in 1912, its practices were hardly such as to entitle it to be called a farmers' company.

Since that time its cooperative character has been restored and it has done a prosperous business.

THE MAINTENANCE CLAUSE

The idea back of the maintenance clause is simply that if farmers set up an elevator company of their own, they must definitely bind themselves to support it. Otherwise it can be quickly put out of business by any competitor who is willing to lose a little money by paying a price a few cents above the market for grain, just long enough to get the business turned away from the farmer company. After freezing the farmers' elevator out, they can make back this temporary loss by paying proportionally less for grain.

The circumstances under which it was devised by Mr. Densmore, first president of the Rockwell company, illustrate the whole matter. On the day the farmers' company opened its doors, it began buying wheat at 4 cents a bushel above the previous local quotation and selling coal at \$2 less per ton and lumber at \$5 less per thousand feet. The private elevator immediately raised its grain price 3 cents above the farmers' elevator price. This, as was intended, proved too great a temptation to some of the supposed cooperators and it looked as tho the new company might suffer swift eclipse by the desertion of its own members. After a directors' meeting held to consider this critical situation, Mr. Densmore lay awake far into the night trying to discover some way to meet this competition. At the meeting a few days later, he proposed a bylaw providing that the members should pay a fixed charge per bushel on all grain sold, whether thru their own company or to others. This charge was to go for the maintenance of their own elevator to give them a fair market outlet when others might not be quoting such favorable prices. This bylaw saved the Rockwell company and was copied by most of the others who sought to get a foothold during these difficult times.

The few hardy pioneers of this period had to stick close together for mutual support and counsel and the five organizations in Cerro Gordo county carried this spirit to the point of forming an association among themselves in 1889. It was short lived, but illustrates an early realization of the need for an overhead organization, which later resulted in the formation of a permanent state association.

SLOW GROWTH FOR FIFTEEN YEARS

Even with the maintenance clause as an aid to effective organization discovered and applied, it was by no means easy for the farmers to build up a grain shipping business of their own. This was due in the first place to the fact that there were strong line elevator concerns already in the field and deter-

mined to drive out anyone who attempted to take this profitable business away from them. That they were more than a match for the majority of the farm companies which entered the field against them is shown by the fact that of 22 farmer elevators which incorporated in the years 1886 to 1892, inclusive, only four became permanent, whereas 14 gave up the battle in from one to five years' time. The remaining four survived 6, 8, 10 and 18 years, respectively. This high death rate was partly due to cut-throat competition, but partly due also to a second great cause, namely, the hard times which struck the country at this period and which made it doubly difficult for a farmer company to finance a grain business. Doubtless also the fact that this was a period of generally falling prices contributed somewhat to the failure of some of the companies which were established in the late '80's and early '90's.

The panic struck the country with full force in 1893, the growing financial difficulties had been noticeable the previous year. Four

Table II. Elevators Operating During the Second Period

Year	No. Organized in Given Year	Ceased Business in Given Year	Total Operating in Given Year
1886	2	0	2
1887	3	0	5
1888	1	0	6
1889	6	3	9
1890	2	1	10
1891	4	0	14
1892	4	4	14
1893	0	1	13
1894	1	4	10
1895	2	1	11
1896	1	1	11
1897	2	3	10
1898	1	0	11
1899	2	1	12
1900	3	1	14
1901	6	0	20
1902	5	2	23
1903	7	0	30
Total	52	22	80

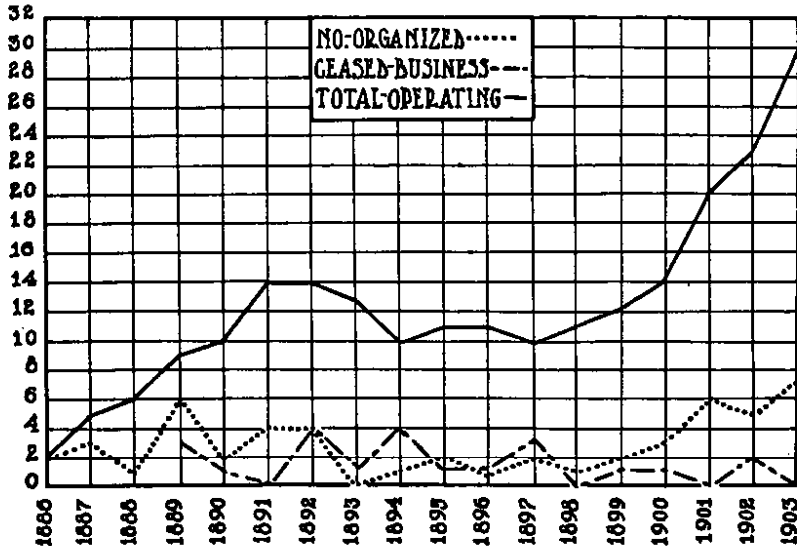


Fig. 4. Graph showing the slow but persistent growth of the elevator movement from 1886 to 1903.

farmer grain companies had been formed in 1892, but none was formed in 1893 and only one in 1894. In 1895 two farmer elevators were established, and one more was incorporated in 1896. From 1897 to 1903, inclusive, from two to seven elevators were organized each year. Times had become easier and grain prices were rising, but the natural disposition of the farmers to handle their own local grain business was strictly held in check by the organized activities of the line elevator companies and local independent elevators operating thru a strong state grain dealers' association, which was formed in 1900, altho a working organization had existed for some years previous to that date. The slow but persistent growth during the period is shown in table II and fig. 4.

THE "GRAIN COMBINE" AND THE FARMER

Reference has already been made to the growth of the line elevator companies and their strong alliance with the railroads during the late '70's and the '80's. At that time they opposed the local independent elevators about as much as they did the farmer companies and sought, by preventing them from getting a site from the railroad or by bidding the price up against them, to drive them out of business. By the middle of the '90's, however, local independents had become established at many places and had been accepted by the line elevators as legitimate business competitors wherever they conducted their business on prices and margins acceptable to the line companies. When they persistently refused to meet their terms, they were forced out of business.

In 1900 the local independents and the line elevator companies formed for their own protection a strong state organization known as the Iowa Grain Dealers' Association. These two groups had come to consider themselves as the "regular" dealers, entitled to the whole of the grain business. Toward each other they adopted a "live and let live" policy which went even to the point of entering into arrangements for the dividing or "pooling" of the business at stations where both were located and of operating under friendly understandings which prevented either party from bidding up the price of grain to the point where a safe margin of profits was endangered. Against "scoop shovellers" or any person attempting to ship grain without making the investment necessary to establish a permanent, year-round place of business with suitable facilities for handling grain and with an established commercial rating, they declared war. They declared war likewise on the grain-shipping activities of farmers, altho after a few years they moderated this to apply only to farmer groups who employed scoop-shovel loading or farmer elevators which had the

maintenance bylaw or "penalty clause". They asserted that such companies met operating charges by an assessment on members and thus could outbid any legitimate dealer. The point seems to have been, in fact, that they felt they could handle any elevator which did not have the penalty clause, by bidding up the price of grain and thus getting their trade away from them. If they were simply bidding what the market justified, they would have no more fear from a penalty clause elevator than from any farmers' elevator run on cooperative principles.

THE BOYCOTT IN THE TERMINAL MARKET

At all events the Iowa Grain Dealers' Association decided in 1904 to carry the war into the enemy's country and to adopt a policy which would rid them once and for all of the farmers' grain company. This was to be done by cutting them off from their selling market. By this time the "regular" grain dealers' association was strongly entrenched in the state, whereas there were only about 35 or 40 farmers' elevators. Indeed, only about 15 of these were penalty-clause elevators, the others being accepted by the Iowa Grain Dealers' Association, temporarily at least, as legitimate competitors and a few of them even being members of that association. It was evident, therefore, that the patronage of the dealers' association membership was immensely valuable, while that of the farmers' penalty-clause elevators was practically negligible.

Accordingly, the secretary of the Iowa Grain Dealers' Association informed the commission firms and receivers at Chicago that if they continued to handle this farmer elevator grain they would lose the business of the "regular" country grain shippers. This promptly established a boycott against the shipments of the offending elevators and their grain stood on track in Chicago or piled up in their elevators in Iowa until two commission houses defied the association and broke the boycott. These two firms of greater courage than the rest were Lowell Hoyt & Company, still in business on the Chicago market, and Eschenberg & Dalton, which ceased to operate some years ago.

THE THIRD ELEVATOR MOVEMENT

The year 1904 may well be taken as marking the close of the second and opening of the third phase of the farmers' elevator movement in Iowa. In that year the growing opposition of the line houses and independents came to a climax in the terminal market fight and embargo. After the matter had thus been brought to a head and victory had been won in the terminal market, the ground was clear to go forward with a new and

larger development of the movement along the sound lines laid down 14 years before in the organization of the elevator at Rockwell. It was in this year that the local groups, more or less widely scattered over the state, were welded together into a state-wide organization and an aggressive program of work undertaken. This movement was formally launched at Rockford in November, 1904, when the representatives of 17 farmers' elevators met and formed the Iowa Farmers' Grain Dealers' Association.

BEGINNINGS OF THE FARMER GRAIN DEALERS' ASSOCIATION

The little group of men who met to form the state association saw that there could be no real success for the farmer elevator movement if each local elevator tried to go it alone. While a few of them had succeeded and established themselves in the business, many more had failed or had soon lost their cooperative character and zeal to protect and promote the producers' interest and had lapsed back into the form and practices of the ordinary profit-seeking elevator company. The founders of the state association saw that there must be some agency for assisting farmers who wanted to handle their own grain business to organize on right terms, to adopt suitable bylaws and to follow methods of day-to-day operation which would be both commercially sound and successful and also would promote the producer's interest to the fullest extent. Only so could they hope to build a farmers' grain marketing system which would possess the permanence and command the volume of business which would make it a real factor in the grain trade.

They hired a secretary and established business headquarters at Ft. Dodge. This secretary, using when needed the services of the directors of the state association and others who had been prominent in the work of successful local elevator companies, did a large amount of work in perfecting the organization of new companies. In this they were reinforced by the paid organizers from the two Chicago grain firms which had broken the boycott of 1903.

So successful was the campaign that the number of farmers' companies grew from 30 in 1904 to 244 in 1909 and 345 in 1914. They assisted not only in the legal details of organization, but also in the commercial phases of the elevator work. They built up an auditing department for examining the books of farmer companies at regular intervals. They assisted elevators to find competent managers and managers to find suitable jobs. They aided new or prospective companies to secure elevator sites from the railroads and in the erection and equipment of their buildings. As they grew in number and influence they became an important factor in securing fairer treatment

from the railroads in this matter and also on car supply, losses in transit, and the collection of claims. They were instrumental in improving weighing and grading practices at the terminals and in securing the passage of a fairly good cooperative law in 1915. They worked with similar associations in other important grain states for these purposes and also in supporting the American Cooperative Journal, which became the official organ of the farmers' elevator movement in 1906.

WAS THIS A PROMOTIONAL PERIOD?

It might appear, and indeed it has sometimes been charged, that this was a period of unwholesome growth, in which the organization of farmers' elevators was unduly stimulated by outside organizers. It is true that certain terminal commission firms participated actively in the starting of many of these companies. After they broke the boycott by accepting and selling grain for farmers, they were outlawed by regular dealers' associations. Thus their own business was ruined unless they could promptly build up a sufficient volume of cooperative shipments. Had they taken a passive attitude, it is quite possible that the growth of farmer companies would have been so slow that these commission companies would have been put out of business and this in turn would have killed the few farmer elevators which were then in existence. In those days there was no county agent or extension specialist to turn to for market information, and if it had not been for these men and the representatives of the Farmer Grain Dealers' Association, farmers would have found it difficult to secure safe and dependable information as to how to organize and conduct their companies. It was for the lack of just such help that the elevators of the Grange and Alliance period had failed.

This participation by a few outsiders, therefore, is not to be considered a "promotional" period similar to the notorious wave of creamery formation by promoters desiring to secure building contracts or to sell machinery. These elevator organizers were keenly anxious to see the farmer companies achieve permanent success, and they performed a great service of education into which they put tens of thousands of dollars of their own money. Furthermore, they were not creating an artificial boom in elevator organization, but were simply helping to remove some of the artificial and unjust impediments which had been placed in the farmers' way for many years previously. The permanency and success achieved by the majority of the elevators organized during these years (see table III) testifies to the fact that there was genuine growth from within, even tho some outside assistance was employed.

RAPID GROWTH OF FARMERS' ELEVATORS IN RECENT YEARS

The 17 years of the third elevator period, since the winning of their fight for open markets and the establishment of a state service association, have been marked by rapid but consistent growth. From 1904 to 1920, inclusive, 524 farmer elevators were organized, or an average of approximately 31 per year. The only marked decline was in the year 1915, which was doubtless due to the business disturbances at the outbreak of the war. The movement recovered sharply from this decline, however, the war period having stimulated general farm organization and the cooperative movement very noticeably. Forty-six farmers' elevators were formed in 1919, and 51 in 1920, but only nine in 1921. Table III gives a record of the growth of this movement during the third period and fig. 5 shows the ups and downs of the whole 50-year period.

Table III. Elevators Operating During the Third Period

Year	No. Organized in Given Year	Ceased in Given Year	Total in Given Year
1904	14	1	43
1905	35	2	76
1906	45	1	121
1907	50	1	170
1908	34	1	203
1909	41	0	244
1910	26	4	266
1911	21	1	286
1912	26	1	311
1913	23	2	332
1914	18	5	345
1915	12	3	354
1916	20	1	373
1917	30	5	398
1918	30	3	420
1919	46	2	464
1920	51	6	509
1921	9	7	511
Total	532	51	

PRESENT EXTENT OF THE MOVEMENT

This table shows a total of 511 farmers' elevators at the present time. They are scattered quite generally over the whole

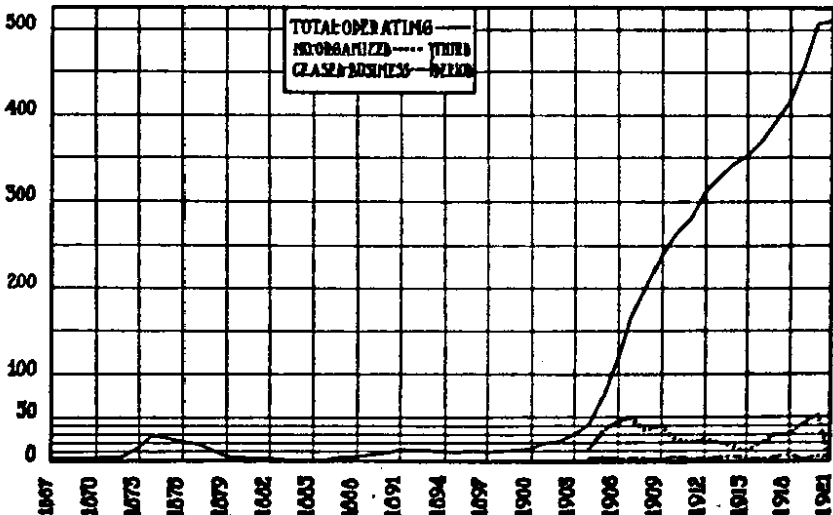


Fig. 5. Graph showing the fluctuations of the farmers' elevator movement during the 50 years since it was started in the state.

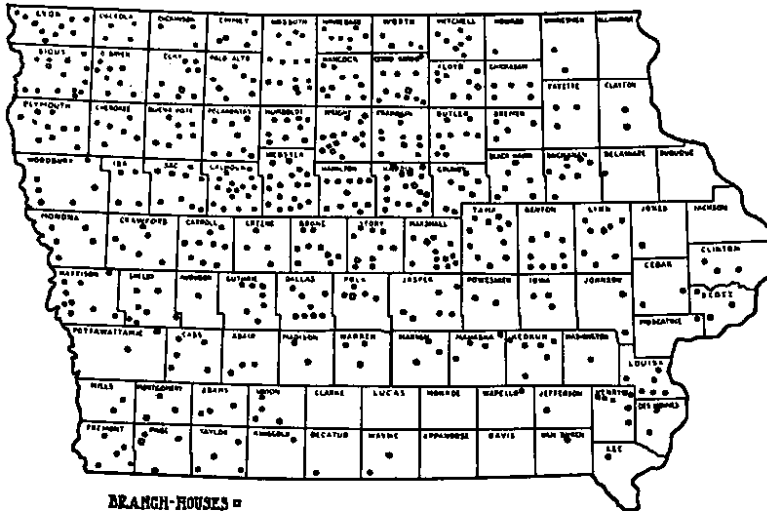


Fig. 6. Map showing present location of farmers' elevators and their branches.

state, the naturally somewhat sparse in the eastern and southern counties, which have a limited grain surplus, and dense in the grain counties of the north and west. Webster County heads the whole list, with 17 elevators; Calhoun has 16; Kosuth has 14; and Sioux has 12. Of these 511 companies, 14 operate one branch house and 3 of them operate two branches. This means a total of 531 farmer elevator plants. (See fig. 6.) Besides this, several of these companies ship from additional stations where they scoop the grain or use a portable elevator. The same methods are also followed by quite a number of live-stock shipping associations or other farmers' organizations which operate at shipping points whose volume of business is too small to justify the maintenance of a regular elevator plant.

WHAT IS A FARMER ELEVATOR?*

It has been somewhat difficult to decide just what elevators to include as "farmers' elevators" and what ones to exclude. The effort has been thruout to cover in this survey all elevators

*In order to secure complete and authoritative information as to the present situation in the farmers' elevator movement, the Agricultural Economics Section of the Iowa Agricultural Experiment Station undertook a state-wide survey during the latter half of 1921. Visits were made in person to practically every elevator in the state which either called itself or was understood to be a "farmers' elevator." This field work was done by C. W. Crickman, E. L. Cady, Frank Robotka, W. H. McCord, and C. W. Hammans of the Experiment Station staff, together with the writer of this bulletin.

which are run by and in the interest of farmers. It has been impossible to be guided either by the name of the elevator or the law under which it was organized. For example, of the 511 elevators discussed in this bulletin only 179 are organized under the cooperative law of 1915, according to the records in the Secretary of State's office. The other 332 are organized as ordinary stock corporations, but upon examination showed sufficient evidence of a cooperative purpose so that it seemed fair to include them in our list. In some studies of this sort, every elevator, 50 percent of whose stock was held by farmers, was classed as a farmer elevator. Were we to adopt this practice we should add a considerable number of elevators in various parts of the state in which sometimes as much as 60 or even 80 percent of the stock is held by farmers, retired farmers, or town people who own land from which they receive grain rent. Some elevators, however, have nothing which identifies their interest definitely with that of the farmer as a producer, and do not follow any feature of cooperative organization or procedure. Hence, they have been excluded from our list.

It would be interesting to know just what proportion of the local grain business these 511 farmers' elevators represent. According to the United States Grain Corporation figures, there were 1,668 elevators of all kinds in the state in 1918 and there is no reason to suppose that there has been any considerable increase or decrease since that time. This would indicate that some 32.6 percent of all the elevators are in farmers' hands. However, the figures gathered by the Federal Trade Commission from 1912 to 1917 indicate that the average volume of grain handled by the farmers' house is about 50 percent greater than that handled thru the average non-farmers' concern. An even higher ratio is shown in Minnesota Experiment Station Bulletin No. 184 (p. 23). This would suggest that about 42 percent of the grain shipments of the state go thru farmers' elevators. Many of the elevators included in our survey were unable to state even approximately the amount of grain they have handled during the preceding years, owing to the inadequacy of their bookkeeping, but 209 managers reported for 1920-21 a total volume of 40,756,516 bushels, or an average of 195,007 bushels. (See table IV.)

If all the 511 farmers' elevators of the state averaged this amount, it would indicate a total shipment for the year of 99,648,577 bushels from farmers' organizations in the state. The best estimate available would place total grain shipments of the state as a whole at about 240,000,000 bushels for that year. Figured on this basis, about 41 percent of the local grain business would be in the hands of farmers' companies.

**TABLE IV. VOLUME OF GRAIN HANDLED BY 209 FARMERS' ELEVATORS
1920-21**

Total bushels handled	No. of Elev.	Corn Bu.	Oats Bu.	Wheat Bu.	All Other Grains	Total Bu.
Under 50,000	19	212689	349159	73565	9698	645061
50,000 to 100,000	19	359692	854355	194394	34975	1443416
100,000 to 150,000	43	2442432	2582463	239716	79921	5344531
150,000 to 200,000	39	3333784	2917222	345884	84948	6681838
200,000 to 250,000	33	3811642	3351080	133591	92958	7389271
250,000 to 300,000	22	2937389	2778091	125677	27176	5868333
300,000 to 350,000	17	2880032	2409000	144966	51034	5485032
350,000 to 400,000	6	1118220	1099871	4432	4325	2226848
400,000 to 500,000	8	2038114	1531723	104847	4057	3678741
500,000 to 776,745	3	854456	1123999	8736	6254	1993445
Total	209	19988400	18996963	1375807	395326	40755616

Such figures as could be secured from some of the same elevators in the following year show an increase of about 10 percent in grain shipped. In view, also, of the fact that more farmer companies are being formed each year, it seems quite safe to conclude that they command now somewhere from 40 to 45 percent of the grain shipments of the state.

It is generally known, of course, that grain makes up by no means the whole of the farmers' elevator business. The handling of farm supplies and of livestock make up together nearly one-third of the total value of goods handled by 207 elevator companies which furnished figures on this matter. Table V shows both the relative importance of these three lines of elevator business and also gives a measure in terms of dollars and cents to compare with the bushel figures of the grain business shown in table IV. The elevators for which figures are shown in this table are not necessarily the same as those shown in table IV. Some companies had only value figures, some had only bushel figures, and some had both. However, the groups shown in both tables are probably large enough to be typical. These figures show an average business of \$229,750, which would mean \$117,402,500 for 511 elevators of the same size. It is, of course, possible that the elevators which failed to supply figures were on the average somewhat smaller than those which did report.

**TABLE V. VALUE OF BUSINESS HANDLED BY 207 FARMERS' ELEVATORS
1920-21**

Groups	No. of Elev.	Grain	No. of Elev.	Sup-plies	No. of Elev.	Live-Stock	No. of Elev.	Total Business
Less than \$100,000	31	\$ 1,662,377	31	\$ 566,242	1	\$ 18,000	31	\$ 2,246,619
\$100,000 to \$200,000	83	9,962,060	83	2,375,586	9	402,546	83	12,730,192
\$200,000 to \$300,000	46	8,017,331	46	2,254,926	9	1,205,329	46	11,477,586
\$300,000 to \$400,000	24	5,619,531	24	1,540,648	6	1,036,435	24	8,196,664
\$400,000 to \$500,000	12	3,272,522	12	996,298	6	1,122,550	12	5,391,370
\$500,000 and over	11	4,163,183	11	954,526	7	2,398,225	11	7,515,934
Total	207	\$32,687,004	207	\$9,688,226	38	\$6,193,135	207	\$47,568,365
Per cent		68		19		13		100

CAPITALIZATION AND INVESTMENT

Two other figures might be sought also as indications of the size of the farmers' elevator movement. One is capitalization and the other the value of property held by the companies.

The 511 organizations whose incorporation papers were checked in the secretary of state's office have authorized capital ranging from \$5,000 to \$150,000 each, or an average of \$30,868 and a total of \$15,836,600.

How much of this authorized capital has actually been paid in is another matter. Of 465 elevators included in the survey which had data of both authorized and paid up capital, the total authorized capital was \$14,412,600, of which \$7,076,994 was paid up. This ranged from a minimum of \$770 to a maximum of \$86,275 paid up capital, with an average of \$15,219.

Table VI. Classification of 465 Elevators on Basis of Paid-Up Capital Stock

Class	Number of Elevators	Average for Class
Less than \$5,000.....	51	\$ 8,665
\$5,000 to \$9,999.....	135	7,388
\$10,000 to \$14,999.....	92	11,677
\$15,000 to \$19,999.....	65	16,786
\$20,000 to \$24,999.....	39	21,816
\$25,000 to \$29,999.....	36	26,627
\$30,000 to \$34,999.....	18	31,789
\$35,000 to \$39,999.....	11	37,000
\$40,000 to \$44,999.....	8	41,515
\$45,000 to \$49,999.....	2	48,225
Over \$50,000.....	10	57,576

If the same ratio maintains for all the farmers' elevators, it would mean a total paid up capital of \$7,776,909. (See table VI.)

There were also 307 elevators which had figures showing their combined net worth to be \$5,965,872.07. This would be an average net worth of \$19,432.80 and 511 elevators of this same

average investment would mean an estimated total net worth for the state of \$9,930,160.80.

The various types of elevator structure and other business property of several representative elevator companies is shown in the illustrations on the outside cover page and in figs. 7, 8, and 9.

MEMBERSHIP

Both as showing how widely the burden of capital contribution is distributed over the community and also as giving another measure of the size of the farmer elevator movement, it is interesting to examine the figures showing number of stockholders. An attempt was made to secure figures both for the number of charter members there were in the company when it was organized and also the present membership. Three hundred and sixty-five compa-

Table VII. 245 Farmer Elevators Classified According to Charter and Present Membership

Size Groups	Number of Elevators Reporting	
	Charter Members	Members Present
Less than 50	39	32
50 to 74.....	65	48
75 to 99.....	71	57
100 to 124.....	74	63
125 to 149.....	44	43
150 to 174.....	34	39
175 to 199.....	10	21
200 to 399.....	27	56

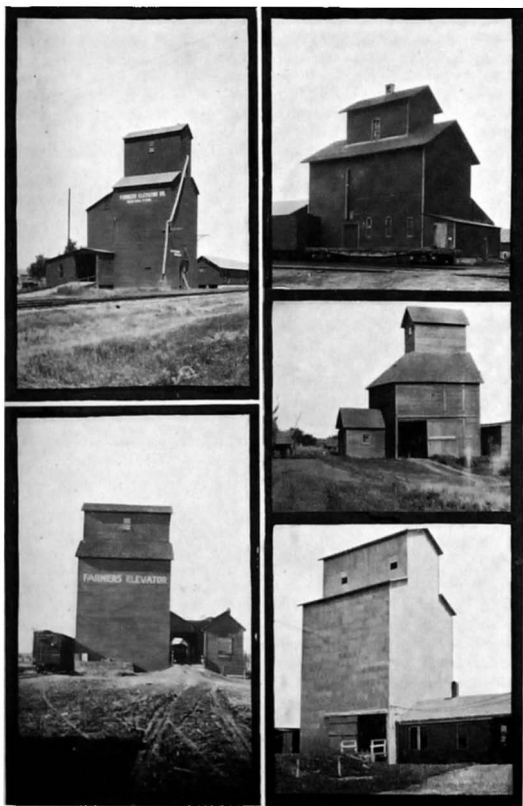


Fig. 7. Some of the older types of elevator structures.

nies report a present membership of 47,672 or an average of 130.6, which would give an estimated total of 66,736 for 511 elevator companies. This is 31.3 percent of the total number of farms in the state, but it should be borne in mind that some of these stockholders are not farmers and also that a considerable area of the state has no surplus grain to ship. Table VII shows both charter and present membership of 365 companies arranged by size groups.

WHAT HAS BEEN ACCOMPLISHED

However, it is to qualitative rather than quantitative considerations that we must look for the best measures of success and value of the farmers' elevator movement. It is not merely a question of how much business is handled by the farmers' elevators of the state, but rather a matter of how well this business is being handled. The latter question is much more difficult to answer than is the former. In the survey conducted by the Iowa Agricultural Experiment Station, a large number of figures were collected showing the financial transactions of the companies and these are being analyzed for presentation shortly in another bulletin, which will deal with the financial gains and losses of elevator operation. It is hoped that this analysis will have considerable value for elevator managers and directors of elevator companies, as showing which lines of business or which methods of handling it resulted in profit and which resulted in loss to the company, to the end that a higher general standard of efficient management may be developed.

However, it is evident that the direct gains or losses to the company itself are by no means the only measure of its efficiency and success. A well-managed elevator might show a book loss simply because it had paid its members a higher price for their grain than the market actually justified later during the course of the selling period, whereas another elevator might show a profit to the company without having rendered any very high type of selling service to its members. The final measure of the success of the farmers' elevator movement, therefore, is to be found not in the balance sheets of the companies, important tho they are, but in the net returns which the farmer received for grain sold thru the farmer company as compared with that marketed thru other agencies. It is obviously impossible to secure authentic information of a statistical character upon this point. It is hoped that in the future certain carefully conducted cost of marketing studies, now proposed by the Iowa Agricultural Experiment Station, may yield accurate information on this point for a selected group of elevators. For the present, any appraisal of the

farmers' elevator must rest upon somewhat more general considerations.

In the first place, we know very definitely that the margins taken at country stations by line and independent houses in the period which gave rise to the present farmers' elevator movement, were much wider than necessary to pay ordinary operating returns. An abundance of trustworthy evidence is available to show that such margins were reduced by the advent of the farmers' elevators and that they are being held down by the continuance of that competition. An excellent case could undoubtedly be made out by many independent elevators over the state to show that the farmer patron is today getting as much on grain marketing thru them as is secured by those who sell to a farmer company. As between the well-managed independent elevator which meets a good lively competition, either from farmer or other companies at its own or nearby shipping points, and the small or poorly managed farmer elevator, it may be conceded at once that the producer will net more from the private company. If, on the other hand, we compare the strongest and best of the farmer companies with certain private elevators which do not have to meet a very keen competition, a rather spectacular margin of advantage for the farmer company could be clearly demonstrated.

It might be conceded, for the sake of argument, that at the present moment the differences between returns received thru all the farmers' companies, good and bad, and all the independent or line companies, good and bad, over the whole state and on the basis of several years' averages, might not be very great. Even if such a case could be proved, however, one's estimate of the value of the farmer elevator company would not be at all lessened, since it is primarily their presence which has established the plane of competition which necessitates the payment of such satisfactory prices by other companies. Indeed, it is a well-known fact that the line elevator companies have disposed of a large number of their houses in the state and are more than willing to dispose of some of those they still have, because they find there is no money for them in country houses dealing on the basis of present handling margins. This admission on their part is strong evidence of the value and achievement of the farmer company, and that its continuance in business is the only insurance the farmer has that the necessary competition will be continued.

PERSISTENCE OF THE MOVEMENT

Another strong evidence of the value of the movement is to be found in its steady growth and in the high degree of per-

manency which has been attained by such companies as have been established during the last twenty years. Reference to table III will show that of 531 elevators established from 1904 to 1921, inclusive, only 50 have passed out of existence. Even this figure is somewhat of an exaggeration in view of the fact that at some ten of these points a new farmer company has come into existence after a few years without a farmers' company.

The present time, following several difficult and rather disastrous years in the grain trade, offers an opportunity for unfriendly critics of the movement to point out the shortcomings of certain farmers' elevators and to parade the misfortunes of such companies as have actually failed during this period. It should be borne in mind, however, that these times have been difficult for the independent elevators as well, and that one rather large line company operating in the state went into the hands of receivers.

No one can deny that the farmer watches closely and critically the prices, particularly for grain, at his local station. After many years' experience with the several different types of grain shipping companies, he still is convinced of the efficacy of the farmer elevator as a means of improving marketing conditions and prices. He is so well satisfied with its achievements at points where it is already established and so persistent in reviving the enterprise at points where an unsuccessful start has been made once or even twice before, that we may well accept his judgment of the practical value of an agency which so vitally affects his welfare. The business world is prone to make its appeal to tests of practical success rather than to theoretical consideration. The farmers' movement can well abide by this sort of pragmatic test and point with pride to the definite place of service and commercial success which the farmers' elevator has won for itself in the grain trade of our state.

ON EQUAL FOOTING WITH OTHER BUSINESS CONCERNS

This same acceptance of the farmers' elevator as an established business institution is to be found in most of the towns where such companies are located as well as in the terminal markets. Grain commission companies solicit the business of farmer companies as eagerly as that of any others and find it handled, on the average, in about as business-like and efficient a manner. Local banks recognize their needs as one of the important lines of local business and serve them, in most cases, to the best of their ability. Railroad discrimination has practically been done away with and it can now be said that in the

main the farmers' elevator is accepted on the same terms as any other business enterprise.

Of 390 elevators reporting on this point, 360 reported no opposition among local business men, and only 15 reported specific opposition to their company; of 453 elevators, 403 reported no railroad discrimination, while only 50 felt that they were discriminated against; and of 398 reports, there were only 23 references to an unsatisfactory attitude on the part of the local bank. Forty-nine out of 443 managers felt that there was unfair competition on the part of other local elevators at their station. The competitive position of the farmer elevator is made easy at many points by reason of the fact that they have absorbed the whole business. Out of 499 towns from which we have reports, there is no competitor at 217 points, one at 226, two at 53, and three at 4. It should be added that in five cases the competitor is another farmer elevator.

.. THE PRESENT A CRITICAL PERIOD

But in spite of belief in the permanence and value of the farmers' elevator movement, it would be a great mistake to accept it in all its details as having achieved a satisfactory position. There are at least three definite factors which enter in to make the present an extremely critical period and to suggest that, unless proper steps are taken to meet this situation, the years just ahead of us may mark a period of distress and even decline in numbers and volume of business of the farmers' elevators.

The first of these factors is the generally disturbed financial and commercial period from which the country has been suffering since 1920. Dealing on a falling market and confronted frequently by local car shortage or railroad embargoes, quite a number of the farmers' elevators have suffered considerable losses and have even been brought to a position of insolvency. This has been complicated in some cases by careless or even dishonest management. There is also the possibility that the business may have been unduly boomed during the war period and subject to some natural reaction in the future.

An examination of the points at which new elevators have been formed during the past few years suggests that many of them have been located at relatively small shipping points in the midst of territory already fairly well served by farmer elevators or have been pushed out into areas of smaller grain surplus in the eastern or southern parts of the state. The stability of such elevators may be somewhat threatened if there should be a period of general business depression ahead. Even at other stations the question may fairly be raised as to whether less and less surplus grain will be shipped from Iowa

stations as a whole in the future, whereas the shipping of livestock and the purchase of feed and other farm supplies might come to assume a very much larger significance in the farmers' business. Such a change would not necessarily imperil a farmer company, but it would need to be clearly foreseen and suitable steps taken to readjust the business so as to avoid the spending of money for the wrong type of buildings or otherwise failing to readjust the affairs of the company.

A second factor of the weakness in the present situation is due, strangely enough, to the very fact that the elevator movement has been established for so long a time as it has. The first enthusiasm and the fighting determination to support the companies and make them successful have been somewhat abated with the passage of years and the coming into the field of activity of a new generation all too little acquainted with the difficulties confronted by their fathers and the abuses which existed in the grain trade at the time when farmers were first forced into the business for their own protection. Many of the companies were formed as ordinary stock corporations before a cooperative law had been put upon the books. Where there has been a genuine cooperative spirit and a vital interest in the life of the company, reincorporation on the cooperative plan has been effected either at the end of the regular life of the charter or at some earlier period, thus insuring a broader representative character for the company and a democratic management. Where this has not been done, there is a tendency for stock to accumulate in the hands of a small number, for large dividends to be the goal instead of a high price for the producer's grain, and eventually a "fade-out" of the one-time farmers' company into the ordinary stock company with a small number of owners, tho not infrequently with the misleading title "Farmers' Elevator" still retained for its advertising value.

Owing to the competition which has been developed, it is not uncommon to find the non-farmer company offering prices as high as or at times higher than those which the farmer company feels it can with safety offer. Under such circumstances many producers who have not had the opportunity or taken the time to study the history of the farmers' elevator or to acquaint themselves with the real situation at their local town are inclined to feel that the farmer company is not making as good a market as others and hence turn their patronage to the rival elevator. While it should not be expected that farmers will continue to market their grain thru a company, even tho it is organized under a cooperative plan, if it fails to give them satisfactory marketing service, yet it is equally true that the

higher price of the competitor may be offered only temporarily for the sake of diverting patronage, and no farmers' company can prosper unless it can count on the loyal support of its own members. Out of 504 reports, only 249 managers expressed themselves as feeling that their membership were loyal to the elevator; 135 described the attitude of the members as fair or poor, while 120 did not commit themselves. It would appear at least that they had no glowing account of the matter to offer. These figures should be considered in the light of the fact that there is no rival company at 213 shipping points where farmers' elevator companies are operating.

Another particular in which the farmer companies are suffering from inadequate support from their members is in the matter of financing. It is only natural that during the past few years such companies have had to carry unusual financial burdens, but in all too many cases the carrying of this load has been left entirely to the directors. In not a few cases their own business affairs have been seriously impaired by reason of the load which they were carrying for the community in the form of elevator obligations. This is not only unjust to the directors and contrary to any reasonable cooperative principles, but is likely to mean that in the future the very kind of strong and competent men who are needed for directors of these companies will hesitate to take the responsibility if it entails the danger of becoming liable for the debts of the company during hard times.

This is far from meaning that the farmer companies are on the verge of going to pieces, but it seems distinctly to show the need both for a strengthening of the cooperative sentiment of these communities and a perfecting of the form of organization under which the companies are operating. As already mentioned, only 179 elevators are organized under the cooperative law of the state. Others are doubtless following practices which are essentially as cooperative in character as these 179, but the present scheme of organization falls far short of putting the companies in a strong position with reference to their members on the one hand, or to any sort of cooperative grain marketing system on the other. (See pp. 265-267.)

The third danger to the farmer elevator movement appears to come from the rather unfortunate attempt of the past few years to pass from local grain shipping to terminal grain selling and to carry on a promotional campaign in the country, which has caused the attention and hopes of many people to be turned away from the success of the local elevators to the supposedly larger profits which could be quickly secured from the terminal selling enterprise. Nothing could be more unfortunate than for the grain growers of the state to become

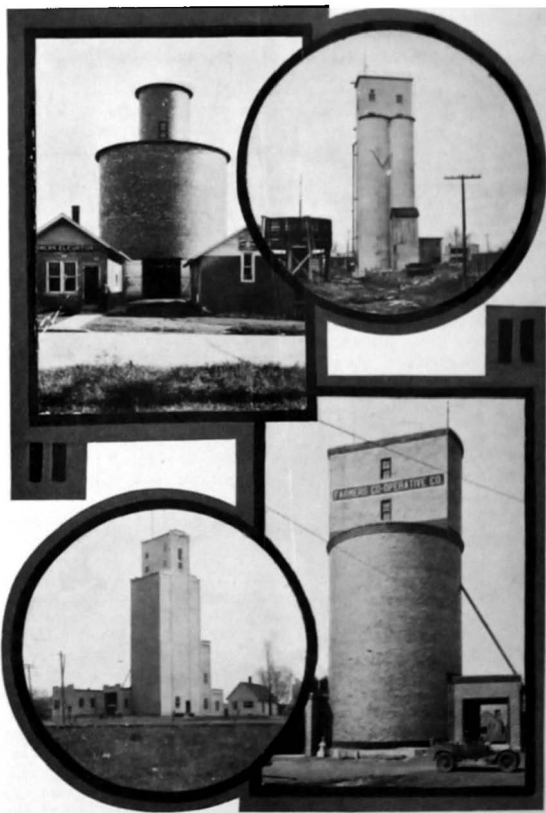


Fig. 8. Modern farmers' elevator structures.

discouraged because of the difficulties which have been encountered by this selling scheme and to assume that the farmers' elevator movement has been in any sense discredited.

WHAT WILL THE FOURTH PERIOD BE LIKE?

In the growth of general farm organizations in the period following the world war and in the enthusiasm for cooperative marketing which accompanied that movement, it was quite freely predicted that the farmers' elevator movement was ready to move forward into a fourth period of its history, which would be characterized by a large measure of control in the terminal market.

The writer is not one who has subscribed to that idea. A glance back over the history of the elevator movement will show that the third period was one of very rapid and, on the whole, substantial expansion of local elevator companies, a period in which a spectacular advance was made and much new ground occupied. Quite naturally, much of that development was of a rather hasty and provisional character and what is needed now is a period of some years of slow and painstaking work, consolidating the gains of this recent period and developing a uniformly high standard of management and perfecting a workable form of truly cooperative organization for all the elevators which are nominally embraced within the present scope of the movement or which naturally and without any artificial stimulation may elect to come within it during these years.

Without minimizing the importance of terminal market problems or the great achievements which may possibly be made within that field in the future, it should yet be recognized that the successful organization and operation of such a distributing system must depend upon the developing of the country grain shipping organization to a degree of perfection which it has by no means as yet attained. The chief purpose aimed at by the farmers' elevator movement in the state of Iowa is to establish at various local stations, where a sufficient volume of business can be secured and retained, the physical plant necessary for receiving, handling, and shipping grain and to secure for this co-ordinated group of local elevators a business management which will dispose of the grain advantageously in the market with a minimum of handling and selling cost. This statement, tho simple, implies a commercial organization of considerable magnitude and intricacy, if the commercial surplus of grain from perhaps one-half of the producers of the state is to be moved with maximum efficiency and minimum cost. But short of that ideal we could not say

that the farmers' elevator system of the state had achieved its proper goal. The remainder of this bulletin will be devoted to discussing what seem to the writer to be the chief problems which must be met if this purpose is to be accomplished, and what appear to be the most promising steps to be taken to achieve that end.

RESULTS IMPOSSIBLE WITHOUT GOOD BUSINESS MANAGEMENT

Every farmers' elevator represents an effort on the part of some group of farmers to go into the local grain business on their own account. Great as are the possibilities of cooperation, it is not possessed of any mystical or magic powers, but is simply a form of business organization by which producers can secure for themselves whatever profits may accrue from the handling of their grain. In the early days of the farmers' elevator movement these profits were very wide, due to the exploitation of the farmer by line elevators or other grain handling interests. Today, however, these margins are comparatively narrow, owing to the keener local competition which has been brought about. Hence there will be little benefit to be secured by the members of a farmer company, unless they introduce into the business organization and management of their company some factors of business efficiency which make them at least the equal of the better grade of independent and line elevators.

It has not infrequently happened that the farmers' elevator company has put a low-priced and inadequately trained man in charge of its elevator and has shown little desire to equip its office with the necessary facilities for keeping adequate records of the business transactions, or to hire a professional bookkeeper, or to secure outside audits at regular intervals. Such a company is simply drifting without chart or compass and has only itself to blame if in a period of unsettled business such as we have just been going thru, it finds itself on the rocks. The figures gathered in our survey show that only about 15 percent of the elevators have a bookkeeping system which could be considered adequate to the nature of the business which they are attempting to carry on. This figure is arrived at by applying three tests to the record and bookkeeping methods of 504 companies:

1. Do the records show the source of gross gains or losses by principal commodities?
2. Is the classification of expenses adequate for analyzing the business?

3. Does the ledger furnish the information necessary for making a financial statement in approved form?

Only 76, or slightly over 15 percent, of these elevators meet all three of these tests. This result seems to bear out the findings of the Federal Bureau of Markets in a similar investigation made several years ago.

Of 504 reports, 255 companies show some outside accounting service, 141 from the Farmers' Grain Dealers' Association or other cooperative agency and 114 from local bookkeepers or professional accountants at home or from outside. Much of this service, however, is merely assistance in preparing income tax returns or some other particular matter and are by no means to be taken as representing a complete audit of the company's affairs. Two hundred and forty-nine companies reported no outside accounting service whatever, and only 120 indicated that it is their practice to have a monthly meeting of directors at which they attempt to ascertain and verify the condition of the company's affairs.

The situation does not necessarily imply any personal shortcoming on the manager's part, but reflects a failure on the part of directors to attach full importance to the matter and provide the equipment and assistance necessary to the keeping of adequate records and accounts. In many cases the salaries paid to managers are too low, if it is expected to attract men of business training sufficient to put farmers' elevator management on a really professional plane. A tabulation of the salaries paid by 439 companies is shown in table VIII.

Table VIII. 439 Farmer Elevators Classified According to Manager's Salary

Group	No. of Elevators
Under \$1000	11
\$1000 to \$1499	44
\$1500 to \$1999.....	208
\$2000 to \$2499.....	181
\$2500 to \$2999.....	15
\$3000 to \$3999.....	18
\$4000 to \$4999.....	4
\$5000	1
Salary and Commission..	4
Commission only.....	8

TWO MEANS OF IMPROVING BUSINESS MANAGEMENT

The writer believes that no person can make an extended examination of the farmers' elevators of the state of Iowa without coming to the conclusion that the future success of the movement demands imperatively that the business management of at least three-fourths of the elevators of the state be put upon a sounder basis than it is at the present time. If the lower three-fourths could be brought up to the standard of the upper quarter, we should have a farmer grain handling organization about whose future success no fears need be entertained. As it stands, however, the losses from inadequate business management too nearly offset the gains of the cooperative form of the organization. The remedy seems to lie in two directions.

First, there must be a reawakening of local sentiment and interest including, at many points, a decision on the part of the directors, or the company as a whole, to demand better qualifications on the part of the manager and to pay the market price for such abilities, to give him the necessary equipment and assistance to make proper record keeping possible, and to make a continuous business analysis of the information thus secured as a means of directing the company's business operations.

In the second place, however, it may be suggested that some reorganization of the whole scheme of elevator management will have to be undertaken if maximum efficiency and economy in elevator operation are to be secured. Figures gathered both in this state and elsewhere seem to show clearly that economy in operation cannot be secured in an elevator handling an annual volume of less than 200,000 bushels of grain, and that improvements and savings continue to be noticeable as volume of business is increased from 200,000 to 500,000 or even 600,000 bushels annually. And yet table IV shows 120 out of 209 elevators in Iowa to have a size of less than 200,000 bushels annually. It is a very grave question whether elevators of the smaller size are in a position to afford to employ both a competent grain man and adequate clerical help for handling the records and accounts in a satisfactory manner. If not, the question should be faced squarely as to how a high quality of business management is to be brought to bear upon the affairs of the local elevator, while at the same time the expense of this expert service is reduced to the lowest possible point.

Two promising movements contributing to a solution of the problem have already been made in the state. One is the consolidation of the business of several shipping stations under the business manager of a single company. The other is the development of overhead service work thru the State Farmer Grain Dealers' Association. As already explained, the latter organization has rendered valuable service to the local companies on legal matters, transportation difficulties, the procuring of their insurance at a reduced rate, and the making of the annual external audit. This is excellent as far as it goes, but the State Association has not up to the present time seen fit to volunteer nor the locals to ask it to undertake any part in the commercial operations of the companies. To be sure, it projected a state buying organization for the elevators upon the very sound theory that joint buying would be more economical and efficient than leaving each of five hundred managers to buy his own little dribble of farm supplies independently. This joint buying organization has not materialized as yet, but the question may very properly be asked right

now whether the selling function of the elevator is not one of relatively much greater importance and in which the manager of the small local elevator is at quite as much a disadvantage as in the case of his buying activities.

THE NEED OF EXPERT SERVICE

The business of weighing, dumping, elevating and loading of grain is not a very complicated matter and we could reasonably expect every elevator to get a man entirely competent to handle this routine of elevator operation on a moderate salary. The matter of actually merchandising grain, however, of choosing the time for sale and the market to which to ship, studying the trends of prices and making the decision to sell on track or to consign, whether to store at the terminal or not, and the proper handling of hedging operations at such times as may be advisable, all this constitutes a technique of grain marketing for which only a man with more than ordinary ability and training can be considered at all competent. The present form of strictly local organization puts the elevator companies in the dilemma of paying higher salaries than they can afford or else of getting less competent service than they need. As indicated above, a few elevators have established branch houses which are put in charge of a local foreman who merely handles the physical operation of the elevator, takes in grain and dispatches it to markets according to instructions from a general manager at the central office of the company. He merely keeps the routine records of his elevator and transmits them daily or at other required intervals to the headquarters office, where a competent bookkeeping office is maintained and fully employed with the business of the several houses.

Both the success of this experiment as far as it has gone, and the proven methods of large cooperative organizations in other sections of the country seem to the writer to point conclusively to the fact that if the farmers' elevators of Iowa are actually to secure a high level of business management, practically uniform thruout the system, and to avoid the danger of weak or unsuccessful companies at many local points, there must be a further movement toward the developing of an over-head commercial organization thru the establishment of regional federations for assisting local elevators with the more intricate processes of marketing, transportation, and financial accounting, and the standardization of equipment and technical operation in the local houses. This is a matter which must be approached only with due consideration of all the practical facts of the situation and allowed to evolve in such a man-

ner as may be consistent with the past history and present conditions of the various companies. But it must be faced frankly and attacked aggressively if the next twenty years of farmers' elevator history in this state is to show accomplishments at all commensurate with the achievements of the past or the needs of this present and future period.

The first great achievement of the farmers' elevator movement has been to secure for producers the rather wide margin of profits which formerly went to private interests. Competition now having put the handling charge on a relatively narrow basis, the next objective of a farmer grain handling organization must logically be to enhance the producer's net return by developing a high standard of technical and business efficiency in the operations of all these farmer houses, so that wastes are reduced to a minimum, grain is distributed with maximum skill and intelligence with reference to market needs, and operating costs are reduced to the lowest possible figure. Such constructive reforms in the grain business thru the participation of farmer companies will be the only real justification for the existence of such companies, and produce the only real reward for those who undertake the financial and personal obligations of maintaining them.

THE PROBLEM OF ORDERLY MARKETING

A great deal has been said in the past few years about the benefits which would accrue to the farmer from orderly marketing of his products. It has been pretty generally recognized in these discussions that nothing significant can be accomplished in this direction except thru the development of some form of large-scale business organization among producers and it is likewise recognized that this should be as fully cooperative in character as possible if the rank and file of producers are to secure the full benefit from new methods which may be introduced. It seems evident on the face of it that no considerable step in the direction of orderly marketing of grain is going to be introduced by 511 farmers' elevators in the state of Iowa or 4000 such companies in the north central states so long as the individual whim or necessarily very inadequate marketing information of each of these individual managers determines the time at which or the market to which grain shall be moved.

On the other hand, the total grain surplus of the state of Iowa makes up a volume sufficient to be a significant factor in market adjustment and if distributed to the various markets to which we are naturally tributary thru some central administrative agency equipped with the fullest marketing infor-

mation and with a personnel of the most able and experienced grain men, notable results might be secured in avoiding market gluts and in "feeding the market" in a really systematic and intelligent way. This, however, implies the building up of a farmer grain marketing system as extensive as the grain producing industry of the state. It would have to be built from the ground up on the firm foundation of 511 or whatever number there might be of solidly established and efficiently managed local elevators, each responsible for the gathering and shipping of grain economically and efficiently from their local points, but turning over certain parts of the actual distribution work to a specialized service agency set up by themselves, subject to their direction and existing solely for their benefit.

In the meantime, very possibly one or more of the proposed cooperative selling companies will have succeeded in establishing itself in the terminal markets and will naturally draw a large measure of patronage from the cooperative shipping organization in the contiguous states, but it is futile for such a selling agency to expect to build a comparative structure downward from the terminal market or ever to be in a position to supplant existing farmer shipping agencies or to acquire such a control of the collection of grain in the country and its dispatch to market as would enable it to achieve the worthy purpose of orderly marketing.

LESSONS FROM PAST EXPERIENCE

Probably no time could be more opportune than the present to review the substantial achievements of the farmers' grain marketing efforts of the past 50 years and, on the basis of all this experience and achievement, to organize an aggressive, constructive, genuinely cooperative statewide organization for the most efficient and economical local shipping of the surplus grain of the state and its intelligent distribution to the various markets in accordance with their respective needs thruout the period from harvest to harvest,—in other words, orderly marketing.

No attempt has been made in this bulletin to present an analysis of the business operations of farmers' elevators as a means of ascertaining their elements of strength and weakness. An attempt in this direction will be made in another bulletin which is to follow shortly. Here, however, we have attempted to get a perspective of the efforts of two generations of Iowa farmers to build up a system for the country marketing of their own grain. This history has been studied with care and the results presented here in the belief that the

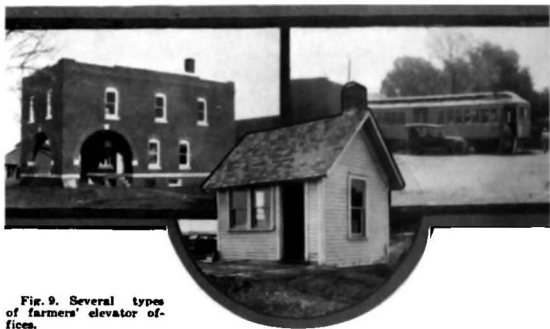


Fig. 9. Several types of farmers' elevator offices.

study of the successes and failures of the past would, on the one hand, show us the pitfalls into which farmer elevator companies may be led, and on the other hand, show the real value of the farmers' elevator company and stimulate the grain producers of the state to undertake a thoro overhauling of their grain elevator business. This should be done in order that the weaknesses revealed during the testing time of these past few years may be remedied as speedily as possible, that unnecessary failures or losses may be avoided, and that the whole movement may go forward on to a plane of higher and more uniform efficiency.

The outstanding lessons which seem to the writer to be taught by more than 50 years of history may be briefly summarized as follows:

1. The elevator business is a distinct line of commercial activity, which should be organized on a strictly business basis for the mutual benefit of all who are engaged in the grain growing industry. To take on a partisan character or become identified with some other organization or to allow itself to be "promoted" by some outside agency is fatal, as is shown by the collapse of the first elevator movement as soon as the Grange enthusiasm died out.

2. Any cooperative endeavor exists for the mutual benefit of its members and its strength or weakness is measured absolutely by the loyalty of such members. If they do not support their company wholeheartedly with their patronage and take an active interest in its affairs and play a positive part in the running of the company, it will soon find itself in a poor position to compete with the private company whose manage-

ment is constantly spurred on by the motive of personal profit.

3. Inadequate capital has been one of the most common causes of failure on the part of the farmer companies. Producers cannot expect to get the benefits of cooperative selling unless they are able and willing to provide the necessary machinery. The investment required is not so large as to make the burden a heavy one if it is carried by the whole community, but when the load is thrown on the shoulders of a few, it bears too heavily upon them and is likely also to produce too small a capital to carry the company thru any serious period of difficulty.

4. Good business management is an absolutely essential foundation of every prosperous farmers' company. The plan of organization should be such as to economize effort and permit of specialization in the interest of efficiency, but the cooperative company cannot expect to secure ability and experience at less than the going market rate.

5. To secure really efficient management at the smaller shipping points and to give the grain industry of the state the influence that it should have in its dealings with the railroads, with terminal marketing agencies and in the purchase of supplies, it is highly important that all the farmers' elevators of the state, which have a mutual interest in these matters, should become part of a strong state organization. This need of a common spokesman for the country grain trade and a source of several important lines of overhead service has been felt since the early days of the second elevator movement, and has made commendable progress in the case of the State Farmer Grain Dealers' Association. The time is ripe today for the enlargement of that membership, the expansion of its service, and the co-ordination of the whole farmers' elevator movement of the state into a unified, standardized, and progressive grain shipping system.

6. In the long run the outstanding benefits of a cooperative marketing organization are to be secured from the introduction of economies and new elements of efficiency into the handling of the given commodity. If producers go into a line of business simply for the sake of getting a handling profit away from the other fellow, the time will soon come when no further benefits of the movement can be shown. But even in so staple a line of business as grain marketing, there is ample opportunity for the introduction of new economy and efficiency. If this field of work is taken up energetically and intelligently, there should open up for the farmers' elevator movement a period no less successful than its past and even more constructive and permanent in its character.