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RURAL COOPERATION AND COOPERATIVE MARKETING IN OHIO, 1913

By C. F. TAEUSCH

INTRODUCTION

By THE DIRECTOR

In all lines of business and industry, excepting agriculture only, there is a steady tendency towards unification. The short lines of railway of 40 years ago are now connected in continental systems, and the manufacturing plants scattered over the country have united their management under nation-wide trusts. The purpose of this movement is to regulate production, to reduce operating expenses, and to eliminate competition in sales. Agriculture is the only large occupation of men which is now left to be regulated wholly by the chance of supply and demand. The consequence of this world movement is that the farmer purchases his supplies and sells his produce in a market controlled by organizations the most powerful the world has ever known. Not only this, but there has grown up between the farmer and the manufacturer of his necessary supplies on the one hand and the consumer of his products on the other a system under which an undue share of the product of his labor is taken to themselves by distributing agencies.

The great corporations which now so largely control our transportation and manufacturing industries are possible only through cooperation. The thousands of shareholders in such a corporation have simply joined hands in a united effort to produce a great result, and if farmers are to improve their condition it must be done through the same method.

In order to learn to what extent the farmers of Ohio are cooperating in the purchase of supplies and sale of products and to obtain light on the factors contributing to the success or failure of such efforts, the survey reported in the following pages has been made for the Department of Cooperation of the Experiment Station, by Mr. C. F. Taesch, as part of a general survey of the agricultural conditions of Ohio, a survey essential to the most effective direction of the Station's activities.

Mr. Tausch's report does not say the final word with respect to any of the cooperative enterprises which he has studied, but it does bring out some of the difficulties to be overcome and some of the advantages to be gained in this line of work and should be a helpful contribution to a subject which is too little understood.

One cooperative enterprise, not mentioned in the report which follows, consists in the purchase of commercial fertilizers. During the past season one small group of Ohio farmers united in the purchase of such fertilizers to the amount of \$8,000, at an estimated saving of 20 percent. Several other groups, in different sections of the State, but all working together, purchased nearly 2,000 tons of fertilizers during the same period at an equal or greater reduction in cost.

For years the Ohio State Grange has maintained a purchasing agency through which fertilizers, binder twine, etc., have been purchased at a great saving to the members of the order.

RURAL COOPERATION

By C. F. TAEUSCH

HORSE COMPANIES

Almost every county in the state has had a "horse company" failure. These horse companies are groups of men each contributing a certain sum to purchase a stallion for breeding purposes. Seven or eight years ago the country became overstocked with animals of excellent quality, and the market took an unprecedented drop. As a consequence men and companies were left with high-grade animals, which they had to put into competition with horses as good in quality but purchased at a great reduction in price. The owners were forced to keep their horses on an income below the interest on the investment or sell at a great sacrifice. Most of the horse-companies dissolved.

One of the best organized companies in the state, located at Sulphur Springs, in Crawford County, was forced to discontinue business although it bore all the earmarks of a theoretically sound cooperative organization. It was organized by the farmers of the community with no outside stimulus. It delegated several members to purchase stallions. It was not to pay dividends but proceeds were merely to cover expenses. And yet this company was forced to go out of business because it could not meet the conditions.

This condition has unfortunately been more or less continued to the present time by the methods employed by horse dealers. These men organize a company through the sale of shares of stock;

here and there a few shares are judiciously distributed free of charge to certain influential but unscrupulous members of the community for their influence. In this way a horse is sold for more than he is really worth. The company then is confronted with the task of making money on watered stock. This they generally fail to do, although some thirty successful companies were found in the state, practically all of which were worked up by outside promoters.

One great difficulty with many of these horse companies is that they are organized without any definite aim. Generally the members have an idea that it is a good thing, but cannot tell in what specific way. If the purpose is to improve the stock of the community, the company succeeds.

In not a single case, where companies were organized to make a money profit, had there been any previous definite reckoning as to the number of services, or the income to be expected from these in the community. Such an oversight made it impossible for members to figure with any accuracy the investment that would be profitable, and it is easily seen that success was a mere chance.

One very promising movement of an advanced nature was found at Rix Mills in Muskingum county. Here each year the owners of stallions hold the Muskingum County Colt Show. Prizes are awarded for the best colts, the chief purpose of the show being to arouse interest and rivalry in the production of good animals. Some fifty or sixty colts are brought in from the surrounding country. Naturally a great number of buyers have been attracted to the place, and an excellent opportunity is afforded for marketing the colts. Prices have been good here, thus providing a new form of dividend to the members of the two horse companies in operation here. This is an experience that could be extended over the state with profit, and may be one of the steps toward establishing the horse business on a sounder economic basis. This however, is a step to be taken after the company has been earning at least a reasonable interest on the investment. Neglecting to provide for this absolutely fundamental reconnaissance, means almost inevitable failure.

PORTAGE COUNTY IMPROVEMENT ASSOCIATION

The Portage County Improvement Association is the largest organization in the county, and, of its kind, the largest in the state. One of its purposes is the improvement of live stock through community ownership of breeders. It issues no capital stock, the company being run on the money paid in as membership dues, which are \$10.00 per year. At present there are practically 2,000

members in the organization. These are organized under a constitution and bylaws. Up to the present time this company has purchased six stallions and thirty-three bulls. These are distributed throughout the county, and services are given free of charge to members. No member may breed more than two horses or five cows. This provision is causing some trouble among the members. A movement is now on foot to correct this defect. At present a man with three mares to breed is prevented from breeding more than two, while several sections of the county receive no services at all, yet all members are required to pay the ten dollars equally. The correction proposed is for a membership fee to be paid and then an additional sum for each animal that is kept for breeding purposes. No profits are to be paid on the organization, the sole purpose being the improvement of the stock of the community through concerted action.

The county is already establishing a world-wide reputation for the quality of its stock. Farmers all over the state are going to Portage county in order to stock their farms with Holstein-Friesian cattle. Recently a large number of cows of this breed were sold to the Cuban government, and the farmers of the association are now prepared to fill a large order from South America. The very highest prices are being obtained for these animals. The reputation which they have established has been almost wholly due to the cooperative activity among the farmers of the county. Plans are now under way for aligning this association with the Producers' Dairy Association of Cleveland, with a view to obtaining a market for the milk produced by the cows remaining in the county. A similar organization is in operation in Geauga county, also one in Summit county. Plans are being formed for extending this movement among other neighboring counties in this dairy region.

COOPERATIVE SALE OF MEAT ANIMALS

Cooperation for the purpose of selling animals for slaughter is not only not practiced but is absolutely untalked of. This may be due to the fact that the grower is very independent in the sale of a product which he can hold back and increase while waiting for an improvement of the market. The present marketing condition, in which buyers purchase cattle and ship them, is far from being satisfactory, but the solution worked thus far has been for the individual producer to turn to stock-raising almost exclusively and then market his own cattle in some large city.

MARKETING POULTRY AND EGGS

Although this industry is as valuable as dairying there is no organization in the state for marketing either chickens or eggs.

The need of such has been recognized for some time. The delay on the farm and in the country store, with perhaps several hours of exposure to the sun, combine to cause a deterioration in the quality of the eggs. Any community ought to support an organization which would establish daily routes to gather the fresh eggs and store them immediately. Sales could be effected through the ability to ship the larger quantities and through the reputation that would inevitably be established. The average store-keeper would welcome any such plan which would relieve him from participating in the sale of goods he knows to be often worse than worthless.

SELLING MILK

The main dairy section of the state is in the northeastern corner covering some dozen or more counties. This region borders on the Appalachian Plateau. It is gently rolling to hilly and is somewhat feebly glaciated. There are numerous sandy and gravelly ridges marking the ancient beaches of glacial lakes. The soil is not the most fertile, but is excellent for dairying. The proximity of Cleveland to the northwest, and of Pittsburgh to the southeast, is an indication of the excellent marketing conditions afforded. The railroads of this section all lead to the one city or the other. Youngstown, Akron and Canton also are important factors, but their influence is not so generally felt as that of the larger cities.

Here, where greater importance is given to milk, because of the city demand, the Holstein cow has been used to stock the farm. By selective breeding the dearth of cream, which is a noticeable feature of the Holstein, has been gradually overcome and a large quantity of rich milk is produced. Improvement associations have been organized in several of the counties, especially in Portage and Geauga. These own their own breeders, and hold sales so as to advertise their excellent stock, which now reaches almost all markets of the world. Almost everything seems to have been done to improve the quality and increase the quantity of milk; the important thing now is to extend these ideas more thoroughly among all the dairymen of the region.

The sale of milk, however, has been attended with all sorts of vexatious problems. Prices have been ridiculously variant in different localities, ranging from 50 cents to \$1.30 per cwt. according to the competition. Local companies have been formed, only to be driven out by the higher prices offered by the larger concerns, who would then proceed to cut prices again. In many cases, milk that was selling at nine cents per quart in the city was bringing from four to fourteen cents per gallon on the farm. It would seem that

this is too great a difference to pay for the handling and sterilizing. Furthermore, the farmer often found himself dealing with dishonest peddlers. These men were generally from two to six weeks behind in their pay, and on leaving the city would never pay the amount due. In such a case of the necessity of immediate and continual daily sale, the farmer could not show much independence in the placing of his product; he generally signed a contract twice a year which bound his output at a price which did not approximate the prevailing market price.

Here and there an attempt has been made to meet this situation by organization. But the largest organization, among the members of the Northern Ohio Milk Producers' Union, failed utterly because those who had agreed to furnish certain quantities of milk turned their supply over to the individual firms for a few cents higher price during the dry season. As a consequence, dairymen are suspicious of any further attempts at organization.

But this failure has afforded experience for the organization of a more extensive association, the Producers' Dairy Association, with headquarters at Cleveland. The purpose of this organization is to control and regulate the major part of the milk sold in Cleveland. It is capitalized at \$75,000, shares being valued at \$25 each. The stock is held by the milk producers, one share for each can of milk supplied per day. At present some 2,500 cans of milk are contracted for, this representing over one-half of the Cleveland milk consumption. This milk is to be shipped whole to Cleveland, where a general agency will sterilize and aerate it; the milk then to be sold to milk peddlers. It is seen that this is a wholesale concern, a thing of first necessity in so large a city. Hitherto the milk of these producers has been contracted for half-year periods in April and October; any monthly fluctuation of the price has no effect on the amount received by the producer. The association will consider the month as the time unit, and thus approach more nearly the market price. For each gallon of milk there will be charged a commission of two cents for handling and preparing for market, the remainder of the price received being returned to the producer. This commission is for the purpose of paying expenses; any profit remaining will be divided among the producers in proportion to the amount of business done by each, which will be roughly approximated by the number of shares each one holds.

This scheme has been patterned after the method employed successfully for several years at Erie, Pennsylvania. It has also benefitted by the experience of the Northern Ohio Milk Producers' Association, which failed to accomplish this very same thing through

their inability to compel members to contribute milk during a shortage, especially those who had promised their milk but were not stockholders. In this new company a man's failure to contribute milk will result in making his capital unproductive; no provision has been made, however, for any forfeitures for a temporary withdrawal, which defect may give ground for trouble later. The company expects eventually to own butter and cheese factories, so that it may be in a position to handle its output to best advantage. The main purpose, however is to market whole milk among peddlers whose financial standing can be directly overseen by the organization. Hitherto much money has been lost through the dishonesty of these peddlers who are generally from two to six weeks in arrears in their pay. The manager will be bonded. At present practically all of the stock has been subscribed for, ten percent being paid down in cash, forty percent being due when 3,000 cans have been signed up, and the balance to be paid later on when the company is in active operation.

COOPERATIVE CREAMERIES

Sixteen small cooperative creameries and two large ones were discovered in the state. Practically all of these are in a flourishing condition, even though they are handicapped somewhat by having in some cases been organized by creamery-supply houses. There are a great number of creameries now operating under private management that were organized on the cooperative basis, but proved unsuccessful.

In one type a company operates a creamery for the patrons on a commission. The two largest concerns in the state, located at Columbus and at Sunbury in Delaware county, are operated on this principle. The former has a branch at Zanesville. This company receives the cream of patrons, computes the amount of butter-fat content, manufactures this into butter, and sells the product. After deducting from the proceeds the expenses and a commission of one and a half cent per pound for handling the cream, the net profits are returned to the patrons in proportion to the cream sent in during the month. Out of the one and a half cent commission the company pays for the buildings, machinery, repairs, and dividends to the stockholders. The company has succeeded in maintaining a price of two cents above Elgin for butter-fat. There is general satisfaction among the members with the cream tests, which often afford the the greatest souce of dissatisfaction among other companies. This company has some fifteen hundred patrons; it does a business of \$650,000 per year and is growing rapidly.

The plant at Sunbury is the pioneer cooperative creamery in the state, having been organized in 1892. It operates on the same principle as the West Jefferson company of Columbus except that it handles the whole milk instead of the cream alone. The difficulty of exact cream tests is thereby eliminated, although the company has a milk tester in the field continually. The company charges five cents per cwt. for handling the milk. To facilitate the handling of the product, fifty skimming stations have been established at different points. The farmers of this community have been realizing almost three cents above Elgin; in which amount is figured the value of the skimmed milk, which is returned to the producer. Last year some 750,000 pounds of butter and 40,000 gallons of cream were sold, there being 1,100 patrons.

Similar to these in operation, but smaller in size, are the plants at Cuyahoga Falls, Racine in Meigs county, and Fayette in Fulton. A very common type is one in which the company is formed to put up the buildings and furnish equipment. The farmers are paid a set price, Elgin or some small variation from that, and the company realizes in dividends any profits. Usually the stock is distributed fairly well among the patrons, but in only a few cases are the two groups identical. Some of these are operating quite successfully, and some are not; there are not enough profits to satisfy the stockholders in whose hands lies the fate of an industry engaged in by many non-members of the company. It is the stockholder who has no milk or cream to contribute that causes the unsettled condition. It were well for the creameries of the state if all such stockholders were eliminated from their membership and the capital furnished by the patrons alone. Creameries of this type are located at Waterville and Richfield Centre in Lucas county, Flat Rock in Seneca county, London in Madison, Summit in Licking, Chillicothe in Ross, Amesvill in Athens, New Vienna in Clinton, and Batavia in Clermont county.

One of the best worked-out plans was discovered at Lindsey in Sandusky county. This creamery is not as yet in full operation, but will be ere long; considerable cream is handled even now. It is capitalized at \$10,000. There are now sixty members, each holding one \$100 share. Forty of these and some two hundred other patrons contribute cream, some six hundred pounds of butter being made each week. The business contributed by non-stockholders will be kept in a separate account and the profits from this divided equally among the stockholders. The idea here is that this part of the business is conducted primarily on capital. The business contributed by stockholders will be kept in another account. From

the profits on this a dividend of eight percent will be declared on stock; the remainder of the profits will be apportioned among the stockholders in proportion to the amount of cream each has contributed during the year. The latter phase is a recognition of the right of a patron stockholder to realize on the investment in proportion to the amount of business he is directly responsible for. Creameries operated on this plan are at Thompson in Geauga county and El Dorado in Preble county.

In general, the creamery business among the farmers in Ohio has not been very satisfactory. The state is dotted with factories that started as companies, but later drifted into private management. One great reason is that there is no cooperative tradition among the people in Ohio as there is among the foreign-born population of Wisconsin and Minnesota. Another feature is the growth of the large centralized plants and the economy they can effect through the larger business. This is true of creameries operating near large cities. They have an additional handicap in the strict requirements of the health boards of the cities, who demand certain superficial and expensive arrangements in the dairies and factories. Some of the more showy of these the large concerns can afford to adopt, but as for fundamental cleanliness they are no better than the smaller concerns, while the stables from which they procure their milk are often filthier by far. The great need here is for more basic inspection laws—not for white-washed ceilings and windows, but for sound cows, clean udders, clean milkers, clean vessels, and a greater fairness in enforcing the laws against the large concerns no less than against the small.

COOPERATIVE CHEESE FACTORIES

Tuscarawas county ranks very high in the state in dairy products. A great part of these consists in the output of some thirty community cheese factories operating, in this and the adjacent counties. The centers of the industry are the towns of Baltic and Sugarcreek.

The county is too fertile to be turned over exclusively to sheep, and yet it is so rolling and hilly, with steep graded roads and not too good railroad facilities, that a large part must be kept as grazing land. Through intelligent breeding the region has been well stocked with Holstein cattle. These give milk which is relatively much richer in proteins than in fat, hence is admirably adapted to cheese making. By converting the milk into cheese the market question is much simplified, as the product is in a condensed form for hauling, and keeps so well that it needs to be shipped but once or twice a

year. Here is a section of the state which has not the best land but which is succeeding in marketing to the very best advantage the products which it is almost compelled to raise.

The reason for this satisfactory condition lies in the fact that dairymen organize in small companies which convert the milk into cheese, a product which can be marketed from this locality. This would be impossible here either to the individual or to the large concern; impossible to the individual because of the expense of operating such a private plant, and impossible to the large concern because of the difficulty of hauling the milk any great distance. But the small company has solved the difficulty by striking a medium between the two. In most cases these companies, consisting of fifteen to eighteen equal shareholders, own the buildings and equipment, which seldom represent an investment of over three hundred dollars. In some cases the company pays rental for the use of the building. A cheeser, usually a Swiss, is hired on a commission of ten percent of the gross output; he generally attends to the business also. In an average factory from three to four thousand pounds of milk are hauled in each day during the season of six months. The yearly output of each factory is about 50,000 pounds. New York, Philadelphia, Chicago, Cleveland, Pittsburgh, and Louisville firms send in buyers who take the entire output. The dairymen are very well satisfied with the prices they receive. The cheese sells at from sixteen to seventeen cents per pound. In addition each factory makes about \$500.00 worth of butter during the year, which sells as cooking butter; the whey by-product is hauled back to the farm and there fed to hogs. After each sale the profits are returned to the patrons in proportion to the amount of milk each one has contributed.

The features of these cheese factories are the small initial investment; the fact that practically every part of the milk is utilized; the absence of the troublesome feature of milk or cream testing; the good condition of the herds, encouraged by the profit of the output; and the personal relationship between the members of the company and the operators of the factory. In this form the milk in this secluded community sells for practically two cents per pound. Large creameries are unable to pay enough for cream to divert the milk from these local plants. Some of the factories that closed down to permit members to sell their milk or cream elsewhere soon started up again; some members who have kept accounts declare that in the long run this method of handling their dairy output nets them fifty percent more than any other they have tried. The spirit of cooperation is quite healthy, the people of the

community realizing that success is due to the unanimous membership in each locality and to the overlooking of defects which are small in comparison with an economically disorganized community life.

COOPERATIVE MARKETING OF FRUIT

The fruit crop of Ohio consists mainly of apples, peaches, and grapes. It is valued at approximately seven and a half millions of dollars; about one-third of this is grown in the eight counties bordering Lake Erie. This country is admirably suited to fruit cultivation, especially peaches and grapes. It is formed from the old lake plain with deposits of sand, gravel, and clay washed from the glacial upland and later exposed. It is exceedingly level. The prevailing soils are dark loams underlain by drab or blue clay. The proximity of the lake affords a very even temperature, late spring frosts being almost unknown.

Peaches: A great many growers have such extensive farms as to market their goods individually to great advantage. The greatest success in organized selling has been achieved by the peach growers, especially in Ottawa county, in which this industry has grown up chiefly within the last ten years. Here there are four organizations, including practically every grower in the county. The main problems here are to find suitable markets, provide facilities for grading, and direct the car supply so as to handle the output in the few weeks during which the fruit ripens. Marketing is largely in the hands of the manager, who directs the entire business. These men have, during the past five to eighteen years of their companies' respective existence, built up markets that take care of practically all the fruit produced here. Three of the companies have grading houses. Two have a capital of \$5,000 each; the third of \$10,000; the fourth, which has no buildings, a nominal capital of \$1,000. Between two hundred and fifty and three hundred growers are enrolled in these companies, with a total output of sixteen hundred cars. The greatest difficulty at present is to secure sufficient cars to handle the output, but this is gradually being overcome through the Interstate Commerce Commission, which can easily be reached by important organizations.

These companies pay no actual dividends on the stock. In the Island and Gypsum Companies a dividend of seven percent less repairs and insurance is provided for, in order to facilitate incorporation under the Ohio laws, but this is negligible. In the Oak Harbor Company a surplus fund is being created from two sources: one percent of the profits, and a charge of two cents on the bushel on all fruit handled from any individual in excess of one thousand

bushels. But in the main, all the net proceeds revert to the growers. Each grower owns one share of stock. In the Island and Gypsum Companies provision is made whereby more shares must be subscribed for by the larger growers: one additional share for every 2,500 to 3,000 bushels handled. In a new company organized at Conneaut, in Ashtabula county, each member must take out five shares at two dollars each, and one additional share for each bearing acre of orchard. Voting in all cases is by shares. The managers are paid salaries; in the Peninsula Company he is paid a commission of two percent on all fruit up to 100,000 bushels, and one and a half percent on any amount over that. In only one case is the manager bonded, although the other three expressed a willingness to comply with the by-laws which call for this. All the profits are returned to the growers in proportion to the amount of fruit brought in by each. A penalty clause is inserted in the by-laws, but there is no intention of enforcing it; the growers realize the value to them of the organizations. Provision is made whereby members may withdraw from the association on giving notice before a specified time; failure to give notice will afford grounds for expulsion. Two of these companies have been running for twenty years. The efficiency in the management is worthy of especial note.

Apples. There are only one-fourth as many apples grown today in Ohio as were grown 30 years ago. This is due to a number of causes: The old orchards have been neglected—have not been treated with fertilizer, hence cannot bear so well nor withstand the frosts so readily; neither have the orchards been sufficiently sprayed; Furthermore, the activities of the citrus growers of California have driven the apple from the market and displaced it with the orange.

A large percent of the apple crop of Ohio is grown along Lake Erie, but the industry is more widely distributed than the peach or grape industry. Large quantities are grown in the hills of eastern and southeastern Ohio. The lay of the land is such that the frost laden air drains down the river valleys, leaving the higher hillsides at a temperature above freezing. Generally the bulk of the apple crop of a community is grown by a few men who direct most of their attention to this. The crops of these individual growers are often so large—running from five to ten thousand barrels—that each one attends to his own marketing. This is done with a great degree of success, so the majority of these growers prefer to continue their own marketing rather than entrust it to an organization. The fact that a good apple market generally exists near home also encourages this method. Where organization has been effected, it has been among a few growers only, and the chief additional advantage has consisted in lower rates on supplies.

Small fruits: In the marketing of small fruits there are no active organizations. An experiment was made in cooperative marketing about five years ago at Clyde, in Sandusky county. Strawberries, blackberries, raspberries, cherries and currants were handled to the amount of \$10,000 to \$12,000 per year. There was no capital stock, but each grower gave a \$100 bond as a surety that he would pack marketable fruit and sell only through the organization unless he gave a formal notice to the contrary before May first in any year. A manager was put in charge, he paid a platform price to the growers, who did their own grading. At the end of the season, if there were any profits, these were distributed among the growers in proportion to the business each had contributed. The company succeeded in cutting down commissions to five percent.

The deal which broke up the organization was as follows: A contract was made with a firm to take cherries at \$2.25 per bushel. Three of the largest growers refused to enter the contract, as they considered the price too low. As a consequence the other growers could not enter into the contract for their product was too small; some of them grew dissatisfied with the attitude of the three large growers and withdrew from the organization. That year no member sold cherries for more than \$1.50 per bushel. Evidently the looseness of the penalty clause and the late date at which members could withdraw were the cause of the failure. Poor management in some respects paved the way for the break up; considerable fruit was lost because of slow shipment and failure to foresee glutted markets; considerable money was lost through bad debts. The country is an excellent one for this kind of fruit, although it is somewhat too far from the lake to be best suited. But the failure of this organization has made cooperation unpopular in this community.

TRUCK MARKETING

There are only four cooperative organizations in the state for selling garden truck. In no case is there such an association near a large city for the purpose of retailing their products. It has been learned by experience that the individual is as successful in marketing his own goods personally as is an organization. The truck gardeners near Cleveland market their own goods in the city through a cooperative company, but it is all done at wholesale. The Ashtabula Lettuce Growers' Association has its markets far removed from the shipping point; the truck association south of Zanesville ships to Cleveland, while the Marietta Truck Growers' Association finds its market in Pittsburgh. The principle underlying these facts is that where the truck grower is far removed from his market the personal responsibility of his commission firm is the better

achieved through his' cooperation with the other members of his community. Moreover, organization has made possible the shipping of goods to the more distant, better-paying markets.

The Marietta Truck Growers' Association operates at the town by that name. There is no capital stock and the association owns no buildings. There are some 150 members in this company, the membership embracing about 50 percent of the truck growers of this region, which is the lower part of Muskingum valley. The products sold are cabbage, tomatos, cucumbers and sweet corn. A commission firm at Pittsburg has been engaged and sends an inspector at its own expense who is under the supervision of the Board of Directors of the Association. The growers haul all of their goods to the cars where it is passed upon by the inspector, who notifies the Board of any failure to come up to the standard regulations as outlined in the by-laws.

The goods are shipped in pools, which generally consist of a car lot. This is the unit in the business management. All goods of the same kind in each pool receive the same payment, whether the individual lot brought equal returns or not. This is simply an arbitrary ruling for convenience. The contract is entered into between the buyers and the individual growers without the intermediation of the Association. If the growers sell elsewhere than through this organization they must appear before the Board, and if no good reason can be given for their action they are expelled from the company. This Association has been in operation for six years. It does a business of but slightly less than \$100,000 per year. Some 700 or 800 cars are shipped during the season. There are two competitors in the immediate vicinity, but this Association does 60 percent of the business out of Marietta. The goods are all brought in during the daytime and leave Marietta at 4:00 p. m. reaching Pittsburg at 4:00 o'clock the next morning, ready for the opening of the market. None of the officers of the Association receives any pay, the Board being composed of a number of public spirited citizens who see the value to the town and community of such an organization. It has resulted in raising the price of produce and the value of the land considerably. A large part of the prosperous condition of business in this section of the country is attributed to the efficiency of the organization. The company has succeeded in improving the train service to such an extent that no difficulties are encountered in getting the number of cars desired, the railroad companies realizing the value to them as well as to the growers of affording efficient service. The Association has survived a stiff competition with the private firms in the town.

COOPERATIVE MARKETING OF GRAIN

The area of greatest grain production in Ohio is in the western half of the state. It is divided roughly into two districts by the Ohio River and Lake Erie water-shed. It is in the northern district that cooperative ownership of elevators has been most thoroughly effected. The region is exceedingly productive, especially in grains and meat. The country is the bed of the old lake, the soil being formed from deposits of sand, gravel and clay made beneath the lake waters and later exposed. The country is exceedingly level. The region is tributary to the Toledo markets, and until recently was wholly dependent upon this centre for grain quotations. There has been a great deal of dissatisfaction, however, with the margin on whom the Toledo firms and their line elevators operate and considerable suspicion as to the weighing. As a consequence a number of elevators have passed into the hands of farmers' organizations which reach eastern points direct, especially Pennsylvania. In this district are some twenty-six of such organizations, having an average capital stock of \$17,000, an average membership of 125, and an average output of 200,000 bushels per year.

Probably the most successful company is the one at Lindsey in Sandusky county. This is capitalized at \$25,000. It has one hundred and sixty members, no one of whom may own more than one share. Grain from men not in the organization is handled and this business is kept in a separate account. The profits on this are divided equally among the shareholders. From the profits on the business brought in by the members themselves a dividend of eight percent is declared on the stock, after which the remainder is divided among the stockholders in proportion to the amount of grain each one has contributed. No one is compelled to trade with this company, but all stockholders who have grain do so, for they receive ultimately two to three cents per bushel more than through other neighboring elevators. The company has been running for five years, the first three of which were marked by a stiff competition with a private concern which then closed down. Some three hundred cars of grain are handled each year, as well as all sorts of farmers' supplies. Shares are quoted at two hundred and fifty dollars each. The manager is bonded at \$2,000. Operating on this same plan are the elevators at Haskins, Elmore, Rocky Ridge and Gibsonburg.

The commoner form is the stock company that pays out all profits in dividends. The elevator at Grelton is the pioneer of this type. The stock is well distributed over the community, usually each member being allowed only a few shares—in most cases eight

shares at \$25 each. In this way most of the profits revert to the patrons. In the eastern part of this district all voting is done on the one-man-one-vote rule, but in Henry county the vote is by shares with a limit to the number of shares held by each member. In this way the business is kept free from the control of a few share-holders. In one case, a person owning one-fourth of a share was invested with a deciding vote; in another case men owning one share have as much voting strength as men owning over thirty. In neither case has any friction developed.

Although the chief purpose of the Rural Organization Service is the betterment of the condition of the farmer by teaching him the value of practical cooperation, a result of this movement is an advantage to the consumer in cheaper goods. This is well illustrated in the grain section. Here are twenty-six elevators handling five million bushels of grain. Formerly much of this went to Toledo, or at least into the hands of some intermediate line elevator company. Now the greater part of this reaches Pennsylvania, where wheat buyers welcome this more direct source of supply at a lower rate.

In the southern half of the grain area of Ohio no marketing organizations have been found among the farmers themselves. This is largely due to the fact that more of the grain here—corn is the chief crop—is fed to animals in the immediate vicinity. The number of privately owned elevators is also small in comparison with those found in the northern half of the grain section. Meat production is to be commended; the advantage achieved through cooperative marketing is probably no greater than that obtained by feeding grain to animals and selling the meat products. In the latter case there is not the constant drain on the fertility of the soil, most of the essential chemical constituents being conserved to the farm.

COOPERATIVE TOBACCO SELLING

Ohio is one of the largest producers of tobacco in the Union, growing some ninety million pounds valued at nine million dollars per year. This industry is confined largely to the Miami valley and the southwestern part of the state, Darke, Miami, Preble, Montgomery, Warren, Clermont, Brown and Adams counties being among the largest producers. This region is very fertile, being included in the glaciated portion of the state. The red clays that are deemed so favorable for tobacco raising are found here in many places. The region is well traversed by railroads, especially those leading to Middletown, Ohio, and Louisville, Ky., the chief markets.

The marketing of this product has had two unfortunate features: The trust practically controlled prices, and the ignorance

of the growers with regard to certain technical features of the storing of tobacco made them the dupes of shrewd buyers. To eliminate the former difficulty there has been organized the National Cigar Leaf Growers' Union, a corporation without profit, extending all over the Miami valley with a membership of some six thousand growers. This association encourages the establishment of cooperative warehouses and aims to market its output.

In the last two years there have been organized twelve cooperative tobacco warehouses in this region. These warehouses are capitalized at \$10,000 each, with twenty-five to seventy-five stockholders. Each one handles the tobacco of some one hundred and fifty growers, representing 300,000 to 450,000 pounds per year. The best system in operation is at Covington, in Miami county. In this company there are thirty-five stockholders, owning the building. These men pay no dues for having their tobacco worked; dividends amounting merely to interest are paid. In addition to these there are one hundred and fifty members of the company who pay two dollars per year dues and a commission of one and a half cent per pound for having their tobacco worked. All patrons must be members of the Cigar Leaf Growers' Union. The company is holding its own against two competitors in the town. They claim to have raised the price to the growers two cents per pound, without any appreciable increase in the market price. The manager is bonded at \$3,000. The growers are paid when the tobacco is sold. At the Troy warehouse one-half of the amount due is advanced at a discount of seven percent, the growers preferring this method to borrowing money at the bank at six percent. In all of these warehouses provision is made whereby no man may own more than a certain amount of stock. The voting in all these companies is by shares.

These warehouses are confronted by a serious problem. Last year they all did splendidly, but this year the other buyers have been meeting the prices offered by the cooperative concerns; as a consequence the farmers' warehouses this year are handling only one-half to three-fourths of the tobacco they handled last year. There is no provision for compelling stockholders or members to bring their tobacco to the farmers' warehouse. As a consequence many growers are selling to buyers who cheated them a few years ago. The growers feel that the warehouse has fulfilled its function in raising the price and fail to realize that the organization is bound to suffer through a decrease in business. Inasmuch as a penalty clause, forcing members to sell through the organization, is not only uncollectible by law, but is looked upon with disfavor by practically all farmers, some other steps will have to be taken to correct the

evil. It would seem that here the capital stock should be participated in by all the patrons in some proportion to their tobacco acreage, and that no dividends should be paid on the stock. This would result in absolutely fair payment of profits to the grower and would encourage the farmers to market their goods through the organization under penalty of making their investment non-productive.

GENERAL REMARKS

The question often arises, what is meant by a "purely cooperative concern." In the first place it is an organization that includes all or the majority of the members of a community of producers. In the next place, it is an organization in which each member holds stock in proportion to the amount of business he contributes. The purpose of this is to enlist the active producing support of every member of the organization in contributing his supplies to that organization so that it may fulfill its own contracts in supplying goods to its consumers. The next feature of the model cooperative concern is that profits shall be paid upon the amount of business done by each member. In case the stock is taken out in proportion to the amount of business done, then the profits can be paid in dividends upon the stock. Wherever this plan is in operation it is succeeding admirably in keeping the business of the members in the organization. This plan is effective because whenever any member sells his goods elsewhere he immediately renders his investment in this company non-productive; his investment depending for its productivity on his immediate interest in the business and his relative contribution to the same. In Ohio, however, this is not the general rule, the stock often being held by members who do not produce, but a rough approximation to cooperation is achieved through the wide distribution of stock among the patrons. In such a case the stock generally is recognized by a payment of a dividend equivalent to the prevailing interest rates, and the rest of the profits are then divided among the patrons in proportion to the amount of business done.

Pure cooperation is not concerned with effecting prices one way or the other. It is not to be expected of the farmers of the state that they organize for the purpose of decreasing prices to the consumer. On the other hand, farmers' organizations would deserve a great deal of censure if they attempted to raise prices through any control of the food supply. The main object in organizing the producers is to place their goods on the market at the prevailing price.

The benefits of the organization are to be derived from the elimination of those men who have hitherto prevented the farmer from realizing the full value of his goods in the open market. Cooperative organizations need not attempt to underbid competitors nor to raise prices by controlling the supply. All they need to do is to accept the prevailing market prices, and depend upon the directness of the business relationship between themselves and the consumer.

Failure has often resulted from an attempt to extend organization over too large a territory. The wool growers of Ohio attempted an organization over the whole wool region before the fundamental principles of cooperation had been gained by experience in smaller organizations. They failed because they were unable to agree among themselves as to the policies of the organization, and because they were so far removed from the management of the concern as to lose all sense of personal influence. The tobacco growers find the greatest difficulty in their organization to be that they are too far removed from the sales agency to have much influence in the placing of their tobacco. Last year they looked on helplessly while their goods were sold to the trust at a price below that which could have been obtained by the warehouses acting independently. This year each warehouse is marketing its own tobacco and hopes thereby to restore to the organization the several hundred members who last year withdrew through discouragement. The failure of the Northern Ohio Milk Producers' Association was due solely to the fact that it was so large that its members felt only an impersonal interest in it. The success of the grain elevators of northern Ohio can be attributed largely to the personal responsibility which each member feels for the success of his local organization, which acts as an independent concern. Only the immediate community should be included in the first attempt at cooperative organization. This will insure the personal interest of every member, and will not in the very beginning overwhelm him with problems too complex for his business experience. After this elementary experience he may look forward toward cooperation with other similar organizations.

The apple associations of the state are uniting in a campaign of general advertisement of the merits of the apple. The individual organizations are attending to the specific market problems of their own output. A similar organization will soon be effected among the peach growers' unions. The grain elevators are about to effect an association which shall facilitate the determination of the market conditions. The training which they have received from their local organizations permits them successfully to establish a state-wide organization.

Another business point that has been overlooked by some organizations is that the important part of any mercantile business is the sales end. The reason why merchants can sell things is because people want them, and the most successful salesman is the man who can discover and gauge these wants. A cooperation cannot succeed simply through organization; the first thing to be done is to find a market for the goods to be produced. Among the grain elevators the condition of market was the result of several years of close study and persistent activity on the part of the manager. So difficult of achievement was this part of the business that the managers refused to disclose their markets to the investigator. They preferred to keep secret the market they had gained through intelligent and hard work.

The investigator has come across organizations violating every theoretical principle of successful cooperation, but preeminently successful because of the efforts of an efficient manager. On the other hand, cooperative concerns that would register one hundred percent in theory are barely existing, because of the fact that a poor manager is in charge. But one cannot formulate any rules for choosing good managers. One very evident thing, however, is that good men cannot be obtained if small salaries are offered. More than one concern has gone under because its members failed to see that a few hundred dollars in extra salary would be more than met by the increased profits of the business; at least, would conserve the whole capital, which is often jeopardized for the sake of a few dollars in wages paid to the manager.

A significant feature among the cooperative concerns in Ohio is the total absence of any penalty clause. The form which this penalty clause takes is as follows: Each member agrees to market his goods through the organization alone and agrees by contract to pay a certain amount for each unit of goods sold elsewhere. The reason involved is that a cooperative concern must be assured of a certain amount of goods if it is to succeed, and a private competitor could, by raising prices temporarily, withdraw the patronage of the organization. In Ohio, however, two causes are operating to prevent the insertion of the penalty clause. In the first place, it is exceedingly difficult to phrase the clause in such a manner as not to violate the Sherman Anti-Trust law and the Valentine Act. In the second place, there is a general opposition among the farmers to any form of contract which shall bind them in the sale of their products. Furthermore, it is felt that cooperative organizations ought to stand on their own merits; if they are dependent upon artificial stimulus, such as a penalty clause, they do not deserve to continue their existence. In Ohio the cheese factories hold their patrons through the

profitableness of business alone. Among the creameries the absence of the penalty clause is felt; large concerns, bent on destroying the local plant, offer higher prices, which they can afford to do for a short time. Some short-sighted members immediately flock to the new concern, not being bound in any way to the cooperative factory except through a sense of immediate personal benefit; the local creamery, having to work on a closer and closer margin is finally forced to shut down. Immediately the price offered by the outside firms drops and the community is left in a worse plight than before. If all the patrons were stockholders there would be little danger of their selling elsewhere.

It is generally recognized that the cooperative tobacco warehouses have succeeded in raising the price to the grower from one to two cents per pound. This has been done through the elimination of many buyers who have used all sorts of unfair and tricky methods for purchasing the tobacco more cheaply, agreeing to unite in falsifying market quotations and visiting the growers during the period of tobacco "sweating" when the leaves seem to be rotting but are not. Now, these independent buyers, many of them the same men who formerly used these unfair methods, are offering prices equal to the cooperative prices, much tobacco is being sold to them, and the warehouses, because of the divided trade, are losing ground. It seems unfair that they should suffer simply because short-sighted growers drop them for a price that the outside buyers can offer temporarily simply to split the trade of the cooperative concerns. They cannot hope to attain maximum success with a divided field, and once they cease operations because of this temporary competition, it will require vastly more energy to revive them than would be consumed now in keeping members in the company. It is a serious criticism of the average farmer that he will forsake a company that has benefited him for years, and will continue to benefit him if only he could see it, for an offer of a few pennies more in the immediate sale. If he expects to derive the full benefit of the labor that he has expended in producing his crops, he needs to adopt more far-sighted methods in his business transactions than he has in the past.

Among the grain elevators there was this same absence of a penalty clause. Enquiries were made with regard to the reason for this, and it has been found that there is a general opposition to penalizing members for selling their products wherever they please. It is generally felt that holding a man to any rigid contract lessens his ability to get the very highest market price. Inasmuch as the experience of the Iowa and Minnesota grain dealers was to the

contrary, and inasmuch as that experience led them to incorporate penalty clauses into their contracts, there must be some essential difference in the situation of the two localities. This very probably is as follows: In the western states the grain elevators were coming into the hands of a few line companies only, which extended very widely, had enormous capital stock, and were able to manipulate the market much as any ordinary trust eliminates competition, mainly by offering high prices in certain localities and thereby drawing all the trade from the small concern, making up this deficiency in towns where they had a monopoly of the grain trade, and later on, after the small concern has gone to the wall, lowering prices below what the market price justified. In northwestern Ohio, however, the elevators are not controlled by a few companies only. The competition is fairly well distributed and as a consequence is so keen among the larger grain companies themselves that no company could afford to pay very high prices for grain in order to eliminate the farmers' organizations. As a consequence their competition is not detrimental to the interest of the cooperative concerns in any community, but in fact, is welcomed by the rank and file of the organization. Members seem to feel that the presence of a private elevator in a community served by a cooperative concern brings about healthy conditions by offering a check on the latter. Furthermore, this gives an opportunity to the manager of the cooperative concern to enter the business on a par with the other manager, the question of success being largely one of good business management.

The real solution of the whole difficulty is in making each patron a stockholder. Under the present circumstances there are two points of friction in the average farmers' organization: The stockholder, who contributes no business to the concern, is interested solely in the dividends he receives and is apt to be opposed to the full participation of the patron in the profits of the organization. On the other hand, the patron who holds no stock is interested alone in the price he receives for his goods, and feels at liberty to desert the cooperative concern if outside firms offer better prices. In case the patrons own stock in proportion to the amount of business each contributes, and voting is permitted in the same ratio, each patron would then be interested in bringing as much business as possible to the company, and at the same time would heartily favor the distribution of profits among the patrons in proportion to the amount of business contributed by each. Any desertion from the company, in such a case, would result in making his investment absolutely non-productive.

One situation that seems to be inimical to any organized farming is this: Farmers generally do not have any surplus cash on hand—

everything being put right back into the business—and very little money is borrowed from the bank. As a consequence such requirements for cash payments as taxes can be met only by the sale of products; in southeastern Ohio by the sale of wool, for instance. The buyers realize this and are able to procure wool at a price that is below the general market and considerably below the price that could be obtained by the growers were they organized to prevent any early selling by individuals. There should be some strong organization with sufficient surplus or credit to be independent of the fluctuating price in the sale of its product. So long as wool must be sold to obtain money for taxes, just so long will the buyers have the growers at their mercy; directly through the immediate necessity for sale, and indirectly because of the fact that early, scattered sales will cause the price to fall and thereby harm those growers who were able to hold back for a better price. Enquiries were made concerning the surplus carried by farmers, and it was learned that in this section little surplus cash was carried. As a consequence there remained bank credit as the sole means of tiding over any fluctuation in the market. The aversion farmers in this community maintain for borrowing money at the bank puts them at the mercy of the varying market, and is bound to result in their getting the short end of the deal at the hands of shrewd buyers. The farmer should be taught that the borrowing of money with his stored-up goods as collateral is in reality of the nature of a partial sale; that is, the bank purchases a part of his goods and pays for it in cash. Later on when the sale is made the bank is reimbursed and the farmer receives payment for the rest of his goods. The additional advantage accruing to him is that he sells his product at his own option, where formerly he sold when the price was low. The net benefit derived from the transaction would more than compensate him for the interest charged by the bank. The farmer should realize that this principle of credit underlies the business world of today.

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