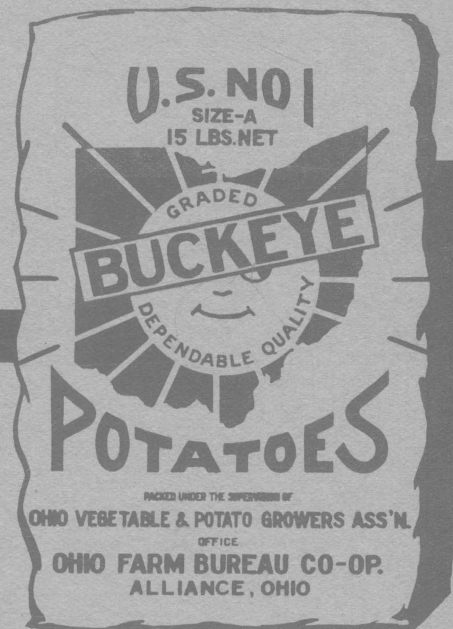


COOPERATIVE MARKETING OF OHIO POTATOES
BY THE
OHIO FARM BUREAU COOPERATIVE ASSOCIATION

by

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Department of Rural Economics
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Ohio State University and
Ohio Agricultural Experiment Station
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Cooperative Marketing of Ohio Potatoes
by the Ohio Farm Bureau Cooperative Association

Introduction

Potato marketing is a recent venture of the Ohio Farm Bureau Cooperative Association. In 1934 the organization undertook to market the crop for growers in two counties in northeastern Ohio, and this modest beginning was gradually expanded in succeeding years to include most of the counties in the state producing potatoes on a commercial scale.

The volume sold through the central sales office of the Association since the 1934-35 season has varied from 40,000 to 200,000 hundredweight annually, representing about 3 per cent of the total commercial crop produced in the state. Though this volume seems small, the Association has been one of the largest if not the largest single supplier of potatoes in Ohio. In addition to the sales cleared through the central office, many potatoes produced and packed by growers affiliated with the Association have been sold under Farm Bureau brands by individual growers and by local associations.

The marketing program of the Farm Bureau in these 6 years has not attracted as large a volume of potatoes as anticipated, nor as large or steady a volume as needed to yield maximum efficiency and returns. This has been interpreted by some as evidence of failure of the program. Certainly it is evidence that many growers were not convinced that they would benefit more by participation than by non-participation.

On the other hand, some question may be raised as to the accuracy or dependability of volume alone as a measure of the effectiveness of the marketing service offered by the Farm Bureau. It is believed by many that the presence of this agency in the market at all times during each of these 6 seasons has contributed substantially to more orderly marketing of the Ohio crop, has exercised a stabilizing influence on prices, and has promoted standardization of grading and packing. Just what effect these influences have had on the welfare of Ohio growers, non-participants as well as participants, is not measureable, yet conceivably it may have been great.

Aware of the many problems inherent in the development of their potato marketing program, and desirous of correcting as many of the imperfections of that program as possible, officials of the Ohio Farm Bureau in October, 1939, requested that their policies and practices in marketing potatoes be subjected to critical, thorough and unbiased examination by some competent research agency.

In compliance with this request, such a study was undertaken jointly by the Department of Rural Economics of the Ohio Agricultural Experiment Station and the Division of Cooperative Research and Service of the United States Farm Credit Administration. The study began in January, 1940 and continued throughout the first 6 months of that year.

Data required for this research were obtained primarily from interviews with 535 potato growers in 21 Ohio counties (including the 11 which lead in commercial production), from interviews with 38 of the 129 dealers to which the state sales office of the Farm Bureau sold potatoes at one time or another during the 6 years from 1934-35 through 1939-40, and from examination of records of the county units and the state association.

Pending publication of a complete report, this brief abstract is issued to make public as promptly as possible some of the more significant facts disclosed by the study.

Views of the Growers

It is believed that the 535 growers interviewed are reliably representative of the more than 3,000 commercial potato growers in Ohio. All were commercial producers, though a few harvested plantings of only 1 or 2 acres in 1939. About three-fourths of them harvested 5 acres or more, a few of these running to several hundred acres and one reaching 1,000 acres. The aggregate acreage of potatoes of the entire group of 535 growers in 1939 was 7,902 acres, or an average of 14.8 acres per grower.

Three hundred and fifty-seven, or exactly two-thirds, were affiliated with the Farm Bureau either through membership in the Farm Bureau only (52), through ownership of shares of stock in one or more of the county Farm Bureau cooperative associations only (82), or through both (223). The remainder, 178, or one-third, were not affiliated with the Farm Bureau.

Of the 535 growers interviewed, 300 or 56 per cent, had not sold potatoes through the Farm Bureau at any time. One hundred and eighteen, or 22 per cent, sold only one year; 58, or about 11 per cent, two years; 20, or less than 4 per cent, three years; 16, or 3 per cent, four years; 10, or less than 2 per cent, five years; and 13, or slightly more than 2 per cent, six years. It is apparent that few of these growers have come to rely upon marketing their potatoes regularly and consistently through the Ohio Farm Bureau Cooperative Association.

Those not using the service were asked for their reasons, and 226 replied to this inquiry. Of these the great majority, 209, or 92.5 per cent, stated that they had established other outlets for their crops which for one reason or another they chose to maintain in preference to entrusting sales to the Farm Bureau. Twelve, or 5 per cent, said Farm Bureau costs are too high, and 5, or 2 per cent, said the nearest Farm Bureau grading station is too distant for them to make use of the service.

The nature of these replies would indicate that the association, if it is to attract the patronage of many of the growers not now using the marketing service, must find ways to convince those growers that its program, either immediately or in the long run, will benefit growers more than the sales methods and agencies they are now using.

A large majority of the growers were of the opinion that the Farm Bureau potato marketing program has been of benefit to Ohio growers. Of 421 expressing opinions on this matter, 329, or 78 per cent, were of the belief that growers have been benefited. These 329 constitute 61.5 per cent of the 535 interviewed. Only 28, or less than 7 per cent, held the view that the service actually has been detrimental to growers. Sixty-four, or 15 per cent,

believed it has been a factor of no consequence in either direction. If it were assumed that the remaining 114 growers who were non-committal on this question are likewise of the belief that the Farm Bureau has not influenced the welfare of Ohio growers either favorably or unfavorably, then this group totals 178, or approximately one-third of the number interviewed.

The favorable opinions, as might be expected, were more pronounced among growers affiliated with the Farm Bureau than among those not so affiliated. Yet even among this latter group, 77, or almost two-thirds of the 123 expressing opinions, were of the belief that the program has been of benefit.

In order to discover the attitudes of growers toward specific aspects of the association's marketing service, each one interviewed was asked (a) his opinion about the methods and practices employed by the Farm Bureau in grading and packing potatoes, and (b) his opinion about its selling policies.

Of 388 expressing opinions regarding grading and packing, 267, or two-thirds were satisfied with the way the Farm Bureau has done this job. The remaining 121 or one-third were dissatisfied for one reason or another. Here also, quite naturally, favorable impressions were more pronounced among growers affiliated with the Farm Bureau than among those not so affiliated. Three-fourths of the former, and one-half of the latter, approved the association's grading and packing practices.

Of 334 expressing opinions regarding selling methods and policies of the Farm Bureau Cooperative Association, 242 or over 72 per cent were satisfied with the association's selling program; 92 or about 28 per cent were not. Favorable opinions were expressed more frequently by growers affiliated with the Farm Bureau than by others; almost three-fourths of the former and two-thirds of the latter approved the association's selling policies.

In expectation that some growers might consider that more frost proof storage capacity is needed in some areas, thereby influencing the effectiveness with which the Farm Bureau or any other agency can market Ohio potatoes, each one interviewed was asked if in his opinion more potato storage is needed or not. Four hundred and forty expressed opinions on this subject. Of these, 263, or 60 per cent, were of the opinion that more storage is needed. Each of these was then asked if he believed such additional storage should be owned cooperatively or otherwise. Of the 244 replying to this question, 167, or 68 per cent preferred cooperative ownership. Each of these was in turn asked if such cooperative ownership should be exercised through the Farm Bureau or through some other growers' agency and 148 or 93 per cent favored ownership and operation through the Farm Bureau. These 148 constitute about 28 per cent of all the growers interviewed (535).

Each grower was asked his preference for cooperative sales (a) by pooling of potatoes of each grade for appropriate periods, each grower in a given pool to receive the average price per unit during the pool period, less costs, or (b) by retaining the identity of each grower's potatoes throughout, his returns to be based upon receipts from his potatoes only. Three hundred and sixteen growers replied to this question, 211 or two-thirds preferring pooling and 105 or one-third preferring individual sales.

Responsibility for deciding the time and method of selling his potatoes through the cooperative was discussed with each of the growers, and his opinions recorded. "Should he determine, independently of the association, when his potatoes should be sold, where they should be offered, and through

what agencies? Should the Farm Bureau be given full authority to decide these matters without consultation with the owner of the potatoes? Or should sales await agreement between the two?"

Greater divergence of opinion on this subject was apparent than on any other point raised. Three hundred and sixty-one growers committed themselves one way or another in response to these questions, with a slightly larger number favoring giving full authority to the Farm Bureau than favored either of the other two methods. One hundred and sixty-six, or 46 per cent, preferred that the Farm Bureau take full responsibility; 160, or 44 per cent, preferred that the grower take full responsibility; and 35, or 10 per cent, preferred that this be a matter of joint responsibility.

Various other questions relating to marketing practices of the Association were discussed with these growers:

1. "Should the Farm Bureau handle potatoes for growers not affiliated with it as well as for those who are?" Of 509 replies, 493, or 97 per cent were favorable.

2. "Should the Farm Bureau buy potatoes to store and withhold from the market when prices are low in the hope of profit from later price advances?" Of 261 replies, 205, or 78 per cent favored this practice.

3. "Should the Farm Bureau buy potatoes when needed to supply its trade if local growers cannot or will not furnish enough?" Of 370 replies, 359, or 97 per cent were favorable.

4. "Should the Farm Bureau buy potatoes from other states to enable it to stay in the potato business longer each year, perhaps throughout the entire year, and to maintain continuous supplies to its trade over a longer period than the Ohio season?" Of 359 replies, 319, or 89 per cent were in favor of such practice.

It would appear from the responses to these questions that a majority of these growers favored outright purchasing on a fairly large scale by the association. Some inconsistencies of judgment are apparent when the results of this phase of the inquiry are compared with replies to the earlier question "Should the grower or the association, or both, decide when and where and how the grower's potatoes are to be sold?" Nevertheless, the sentiment here expressed is so strong it cannot be ignored. If the Farm Bureau should decide to operate on a truly cooperative basis in its potato marketing, abandoning outright purchasing and exercising more control over sales, it obviously would be faced with a difficult task in attempting to break down the desires of so many growers for cash on delivery. In time it might be accomplished, but only through continued education and excellent service.

As a final query in each interview, the grower was given an opportunity to express his preference for the Farm Bureau or for some other type of agency for marketing Ohio potatoes. Of 362 replies, 323, or 89 per cent, preferred the Farm Bureau over any other form of sales agency.

On the whole, the results of this inquiry among these 535 typical Ohio potato growers should be reassuring to those responsible for the marketing program of the Farm Bureau.

Views of the Buying Trade

During the 6 years the Farm Bureau has been engaged in potato marketing the central sales office of the association sold to 129 dealers, mostly located in an area bounded roughly by Cleveland, Pittsburgh, Charleston, Lexington and Cincinnati. Thirty-eight of these, or about 30 per cent of the total, were interviewed to ascertain their attitudes toward the Farm Bureau as a source of supply of potatoes. The dealers interviewed were located as follows: Charleston, West Virginia, 9; Cleveland, Ohio, 5; Columbus, Ohio, 4; East Liverpool, Ohio, 2; Huntington, West Virginia, 7; Moundsville, West Virginia, 1; Pittsburgh, Pennsylvania, 5; Portsmouth, Ohio, 1; Steubenville, Ohio, 3; and Wellington, Ohio, 1.

Some of these were more or less regular customers of the Association, having used Farm Bureau potatoes 3 to 6 years, in considerable quantities. Others were small buyers who had purchased from the Farm Bureau only in one season and then only in small amounts. Still others, large users of potatoes, had bought only once or intermittently from the association, obviously not relying upon it as a primary source of supply.

Eleven of the dealers interviewed purchased potatoes from the central sales office of the Association only in 1 year; 5 in 2 years; 5 in 3 years; 3 in 4 years; 10 in 5 years; and 4 in 6 years.

Of these 38 dealers, 19 were jobbers and commission merchants, 6 were buyers for corporate chain store systems, 6 were wholesale grocers, 2 were trucker-buyers, 2 were brokers, 1 was a carlot wholesale distributor, 1 an independent retailer, and 1 a large buyer for several potato chip manufacturers.

With only one or two exceptions these dealers expressed high regard for the Farm Bureau and its employed personnel. Most of the trade apparently respects the objectives of the Association, and approves its efforts to standardize grading and packing, to assemble a large volume of potatoes in the hands of one selling agency, and to exert a stabilizing influence on potato prices.

For the most part these customers of the Farm Bureau had little or no complaint about the grades of merchandise delivered. Quality never was misrepresented, they said, and usually compared favorably with that of competing offerings. The quality within each of the standard grades was maintained with reasonable uniformity, and in the opinion of most of those interviewed the association deserves much credit for improving the grading and packing of Ohio potatoes.

The one objection to the grading program raised frequently by these dealers was against the use of "grower's grade" by the Farm Bureau. Those who criticized the Association for continuing to sell potatoes under this so-called grade pointed out the lack of definite specifications, and the resultant difficulty in describing the quality understandably to prospective purchasers who were not able to examine the pack personally. It also was stated by these dealers that a reasonably good grade of potatoes such as packed by the Farm Bureau under the term "grower's grade" cannot be sold for as much as it is worth so long as poorer potatoes with the same designation are available at lower prices and that, therefore, the association is unwittingly penalizing those growers whose potatoes it sells in this grade. It was the view of these dealers that the prestige and influence of the Association ought to be exerted to bring about complete discontinuance of the use of this term in the grading of Ohio produce.

The one outstanding comment on which there was almost unanimous agreement was that the Farm Bureau is not a continuously dependable source of supply. Inability of the association to guarantee regular shipments throughout the season prevents these firms from developing reliable outlets for much larger quantities of Farm Bureau potatoes than they now use. Heavy shipments at harvest time usually are followed by intermittent if not complete cessation of shipments, thus impairing the confidence of these distributors in the association and discouraging them from attempting to build up a continuous demand among their trade for the Farm Bureau brands.

It was recognized that this shortcoming is not deliberate. Most of these dealers emphasized the necessity for the association to get the whole-hearted support of the producers if it ever is to wield the influence in the markets of which it is capable. Delivery of the marketing function by the growers into the hands of the association completely and without reservation was urged by many as the only solution. Responsible dealers want to buy from strong agencies capable of assuming full responsibility for grade and pack, for guarantee of deliveries of the quantity and quality desired and when needed, for adjustments if necessary. Most of those interviewed expressed the hope that the Farm Bureau program would be strengthened, that much larger volumes of potatoes would be offered by the association under its brands, that many more Ohio growers would relinquish some of their individualism and allow the organization to assume full responsibility for sales, that the association would provide more storage capacity at shipping points to insure deliveries regularly through the whole season.

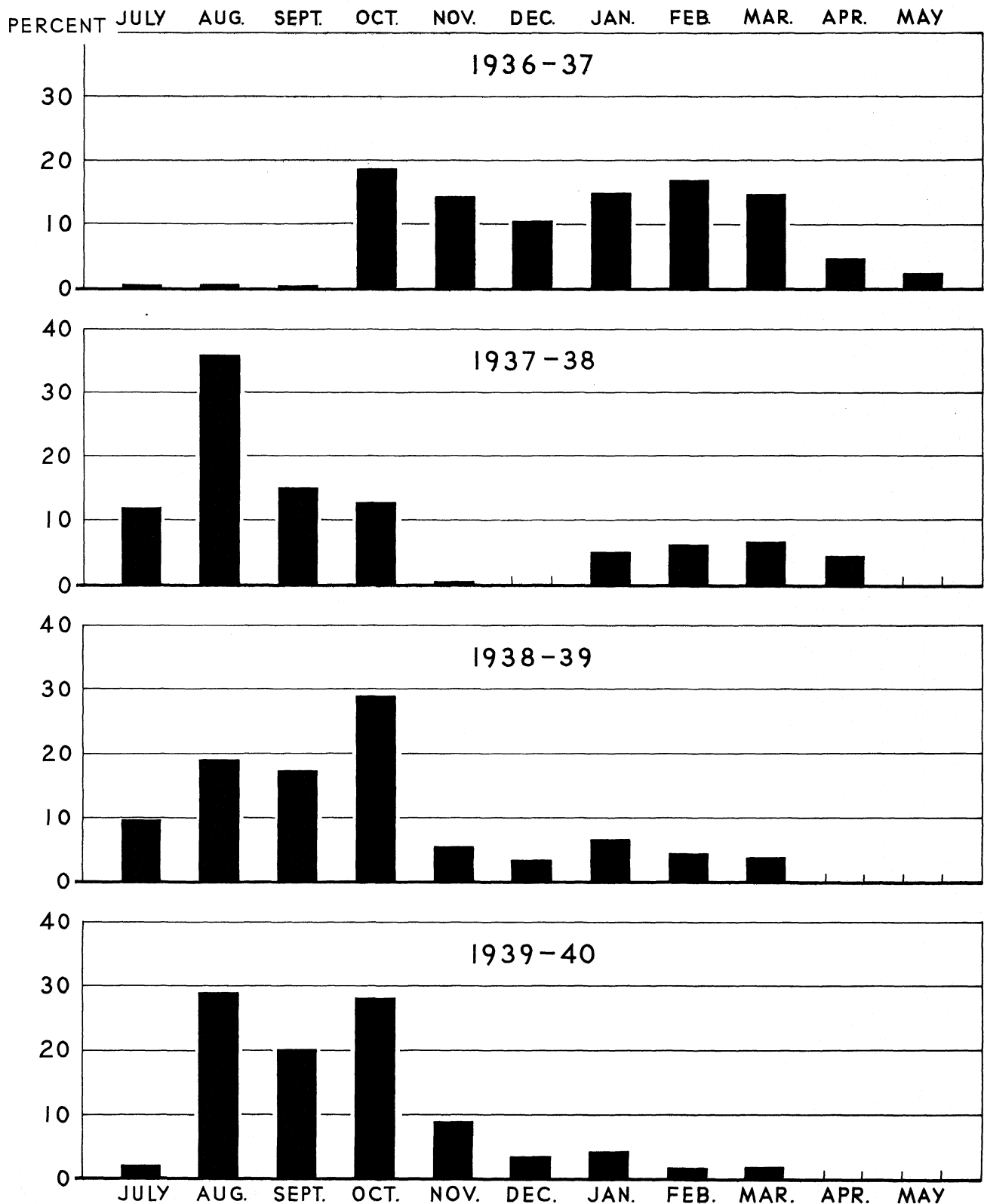
A much greater potential market for Ohio potatoes exists in the area served by these dealers than has yet been exploited. The reason it has not been cultivated systematically seems to lie in the fact that no single distributive agency controls a large enough volume of Ohio potatoes to undertake the development of this natural trade area. Many weak sellers, each with a limited supply, create confusion and chaos and cut-throat competition. Though the Ohio Farm Bureau Cooperative Association enjoys as great or greater volume than any other single operator in the state, nevertheless, its volume still is far below what is necessary to enable it to perform the marketing function with the greatest possible advantage to the Ohio potato industry. These dealers were of the opinion that the quickest and surest and most direct way to improve the marketing of Ohio potatoes is for Ohio growers to support the Farm Bureau program without reservation.

Sales of Potatoes in Four Seasons
(1936-37 through 1939-40)

Records of potato sales of the state Association during the four seasons 1936-37 through 1939-40 have been analyzed. Although the association inaugurated its potato marketing program in 1934, records of transactions in the first two seasons were not examined for two reasons: first, since they were not so readily available the time and effort required to insure completeness and accuracy would have been excessive; and second, it was believed that an evaluation of the program derived from an account of the last 4 seasons would be fully as dependable as if it were based on a complete history. Copies of all invoices from July, 1936 through May, 1940 were examined.

In these 4 seasons the association marketed 484,710 hundredweight of potatoes for a total of \$828,855.23. The volume in 1936-37 (200,908 hundredweight) exceeded that of any other season, and constituted more than

MONTHLY DISTRIBUTION OF POTATO SALES* BY THE OHIO FARM BUREAU COOPERATIVE ASSOCIATION 1936-37 THROUGH 1939-40



*Seed potatoes not included

41 per cent of the aggregate for the 4 seasons. A sharp decline occurred the next season following very unfavorable growing conditions in the potato districts of Ohio in 1937, resulting in sales of only 40,885 hundredweight, or 8 per cent of the aggregate. Since that low point was reached the quantities sold increased substantially to 94,806 hundredweight (almost 20 per cent) in 1938-39 and to 148,109 hundredweight (over 30 per cent) in 1939-40.

With the exception of the 1936-37 season the bulk of the sales cleared through the central sales office were made at harvest time, or prior to November 1. Even in that season more than 20 per cent of the total was marketed before November. But in 1937-38 these early sales constituted 76 per cent of the total for the season, in 1938-39 over 75 per cent, and in 1939-40 almost 80 per cent. Of the aggregate for the 4 seasons, 54 per cent was marketed in July, August, September and October.

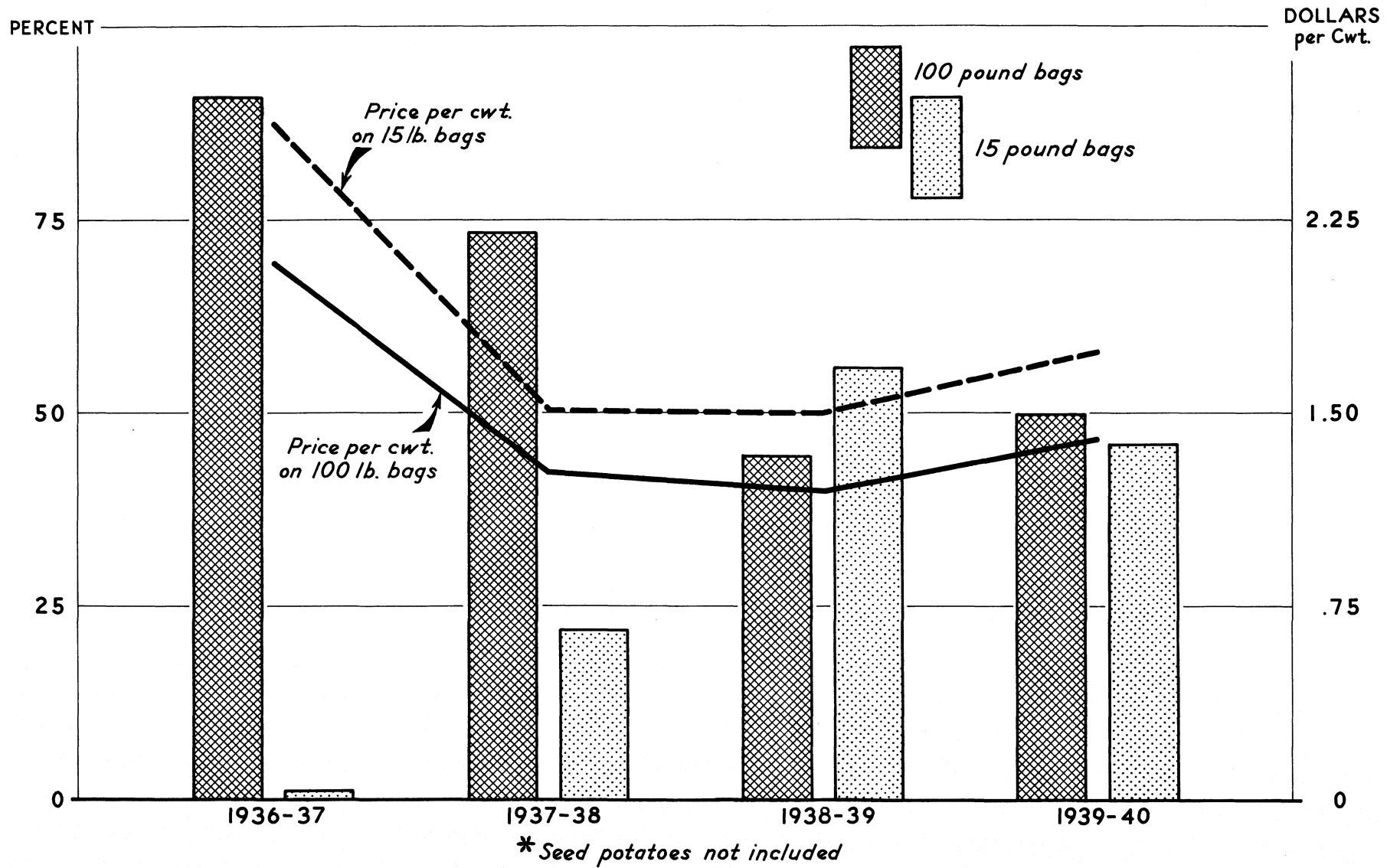
These figures are, of course, heavily influenced by the fact that considerable quantities of early or mid-season potatoes are included in the records, potatoes which cannot be successfully held for later disposition. Nevertheless, the evidence is clear that sales were not distributed throughout the usual potato marketing season with the uniformity required of a successful program.

This tendency to sell early cannot be explained by the trend of prices in these 4 seasons. In almost every month of the storage period - November through May - during these seasons the average price per hundredweight was higher than in the harvest months, enough higher in the main to compensate for the usual storage costs and to yield a net gain over early sales. It would appear that the urge to sell before November 1 may be traceable to insufficient storage capacity, to the grower's need for cash at harvest time, to a failure on the part of many growers to recognize the likelihood of gains accompanying greater continuity and regularity of sales, or to some combination of these factors.

Almost 60 per cent of the total quantity of potatoes sold by the Farm Bureau Cooperative Association in these 4 seasons was of U. S. No. 1 grade or better. The remainder consisted of various grades or combinations of grades, such as U. S. No. 2, Unclassified, Grower's Grade, U. S. Commercial, Ohio Combination, and the like. A decided difference is apparent between the grades packed in 1936-37 and those packed in the three succeeding seasons. Whereas only 28 per cent of the Farm Bureau offerings in 1936-37 were of U. S. No. 1 grade, the offerings of this grade in the next three years were 88, 84 and 79 per cent respectively. Growing conditions, of course, greatly influenced the quality of the crop, yet the high percentages of U. S. No. 1 grade in the last three years do not accurately reflect the quality produced. Rather they reveal that considerable quantities of lower grade potatoes have been sold by growers independently or by local associations; that the central sales office was employed only to dispose of the better grades. This would indicate an impression among these producers that the state Association has been less successful in marketing lower grades.

The smaller proportion of the season's volume sold as U. S. No. 1 grade in 1936-37 may be accounted for in part by the small price differential between U. S. No. 1 potatoes and others that season. Demand was active. Prices were high. Close grading was not always profitable. It will be noted that U. S. No. 1 grade averaged \$2.25 per hundredweight, only 13 cents more than lower grades. Many potatoes were packed and sold as Grower's Grade or other lower grade in 1936-37 which were only slightly below U. S. No. 1 in

PERCENTAGE OF TOTAL SHIPMENTS OF OHIO FARM BUREAU COOPERATIVE ASSOCIATION POTATOES* SOLD IN 100LB. AND 15LB. BAGS, AND SEASONAL AVERAGE PRICE PER CWT. FOR U.S. NO.1 POTATOES IN EACH TYPE OF CONTAINER, 1936-37 THROUGH 1939-40



quality. The differential has been much larger in more recent years and has increased steadily from 44 cents in 1937-38 to 53 cents in 1938-39 and to 57 cents in 1939-40. These larger price differentials may be expected to encourage more general use of the federal grading standards. The association's efforts to promote careful grading and to secure adequate premiums for better grades apparently are bearing fruit.

A decided shift has occurred from the 100 to the 15 pound bag since 1936-37. In that season 91 per cent of the pack was in 100 pound bags and only 1 per cent in 15 pound bags. The balance was packed in 60's and 10's. In 1939-40 the smaller bags accounted for 46 per cent of the pack, while the larger bags were used on less than 50 per cent. The remainder was packed in 60's.

Chain store buyers took more than half (54.4 per cent) of the total quantity sold in 4 years. The proportions sold to these buyers have been increasing, until in 1939-40 practically three-fourths of the total went to chain stores, only 26 per cent being distributed among all other types of buyers. Four chain organizations accounted for this entire volume of purchases.

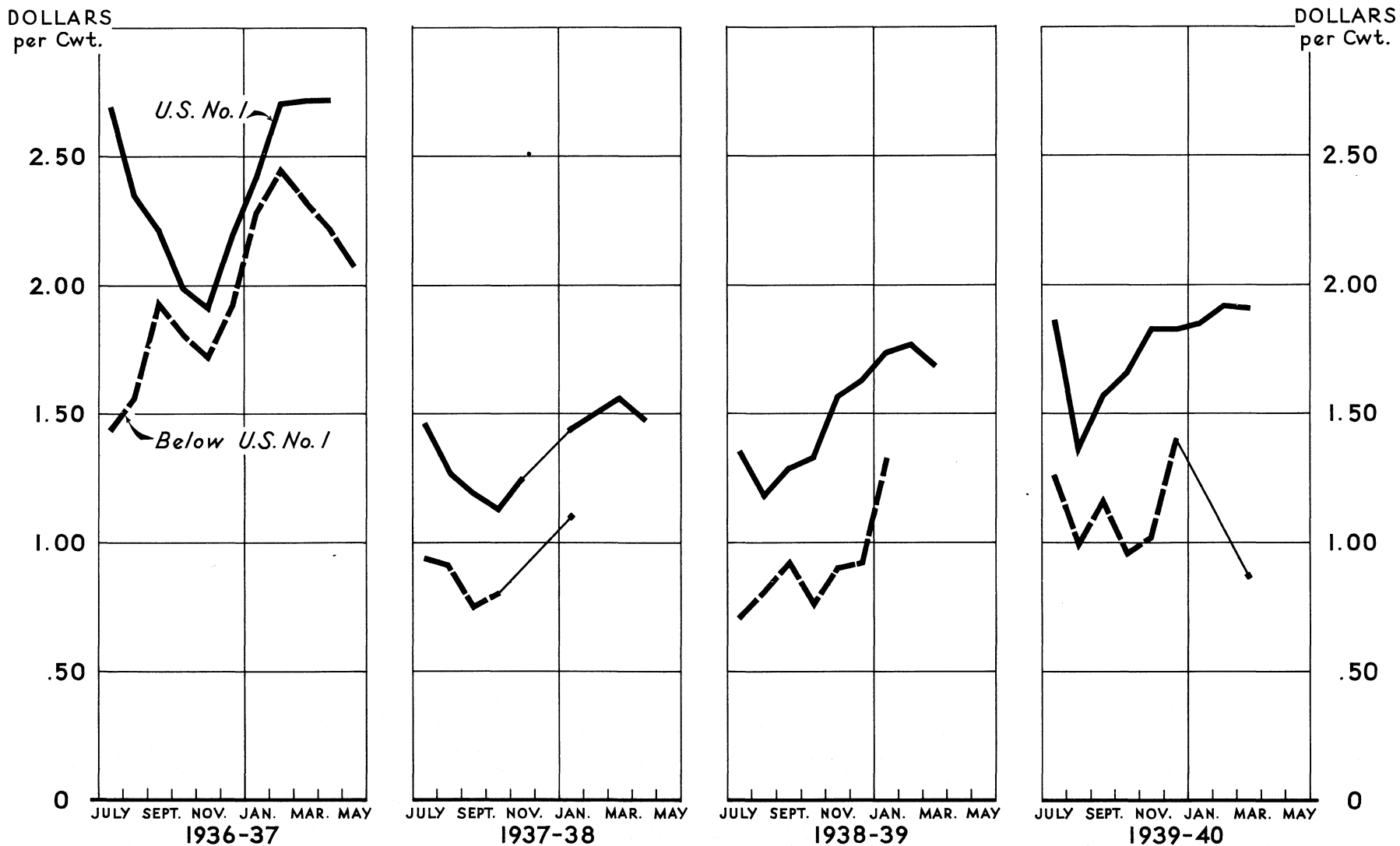
Chain store buyers have purchased U. S. No. 1 potatoes almost exclusively, more than 98 per cent of their purchases in these 4 years being of this grade. Other buyers, on the other hand, have taken lower grades in much larger proportion, over 86 per cent of their purchases being of grades below U. S. No. 1.

Prices received from chain store buyers for U. S. No. 1 potatoes averaged 25 cents more per hundredweight than those paid by other buyers. This may be accounted for in part by the inclusion of "Gateway" brand potatoes within the U. S. No. 1 classification, a Farm Bureau brand which represented materially better quality than the minimum requirements of the U. S. No. 1 grade, which usually sold at premium prices, and which was purchased by chain store buyers in much larger amounts than by others. This price differential may also be explained to some extent by the larger proportion of 15 pound bags among the chain store purchases of U. S. No. 1 grade than among the purchases by others. It will be noted that almost half the total amount of U. S. No. 1 grade potatoes bought by chains were packed in 15 pound bags, whereas less than 3 per cent of those bought by others were so packed.

U. S. No. 1 grade potatoes packed in 15 pound bags averaged considerably more per hundredweight than those packed in 100 pound bags. In 1938-39 prices averaged \$1.19 per hundredweight in 100 pound bags and \$1.49 per hundredweight in 15 pound bags, a differential of 30 cents. In 1939-40 prices averaged \$1.40 in 100's and \$1.73 in 15's, a differential of 33 cents. In those two seasons the average differential was 31 cents in favor of the 15's.

These potatoes were sold to 115 buyers in 47 cities in Ohio, Pennsylvania, West Virginia and Kentucky. Cleveland took more Farm Bureau potatoes in these 4 seasons than any other market, this one city alone accounting for about 105,000 hundredweight, or almost 22 per cent of the total. Next in importance were Youngstown, Columbus and Pittsburgh, each of which took more than 50,000 hundredweight, or more than 12 per cent each. Thirty-five of these 47 markets took less than 1 per cent each, or less than 5,000 hundredweight.

AVERAGE DELIVERED PRICES OF OHIO FARM BUREAU COOPERATIVE ASSOCIATION POTATOES* SOLD BY GRADES AND BY MONTHS, 1936-37 THROUGH 1939-40



*Seed potatoes not included

One customer took over 62,000 hundredweight, or almost 13 per cent of the total in 4 seasons. Five others took 5 per cent or more. The remaining 109 customers bought less than 4 per cent each, and of these, 94 bought not more than 1 per cent, or less than 5,000 hundredweight each.

It is apparent from the large number of markets and buyers taking only small quantities of Farm Bureau potatoes, that much of the sales effort of the Association was opportunistic in character, and was dissipated more or less ineffectively. It would seem that greater concentration on fewer but larger buyers in fewer markets might have enabled the organization to keep its trade supplied with larger quantities, with more regularity, and with greater satisfaction to all. Both wholesale and retail distributors can merchandise a given brand of goods more successfully if that brand can be stocked continuously and displayed in reasonably large volume.

The association's sales policies may have been governed in part by the belief that dependence on a few customers may subject the seller to the risk of sudden loss of needed outlets or unwarranted price concessions whenever one or more of these customers chooses to withhold orders. With the potential accounts available in the populous trade area accessible to the association, these fears seem ill-founded. Moreover, regular customers who have built up a steady demand for a desirable brand of merchandise have as much to lose as the seller from sudden rupture of the channels of supply.

Earnings of the association from its potato marketing operations are said by the organization's officials to have fallen short of expenses chargeable to the program. The following quotation is from a letter from one of these officials* who has been intimately associated with the potato project since 1934.

"In accordance with your request, we are submitting below a brief summary of financial results of cooperative potato marketing operations carried on by this association to December 31, 1939.

"Potato marketing has been carried on as a separate division, from the standpoint of accounting procedure. We have charged to this operation, the salary and expenses of R. E. Weingart at all times, except a few months' period when he was transferred to other work when no potatoes were available for marketing. From the time of the establishment of a sales office, October 1, 1935 to March 1, 1938 a full time office manager was employed in addition to Mr. Weingart, and his salary charged against the program. On March 1, 1938 the sales office moved from Salem, Ohio to Alliance, Ohio and combined with the fertilizer plant operations. At this time arrangements were made for the office manager to take care of accounting for both potato marketing and fertilizer operations. Half the salary of the office manager has been charged against potato marketing since that time. Other expenses include: travel, telephone, telegraph, office supplies, rent, taxes and similar expenses incidental to the operation of the program.

"At no time has potato marketing been charged with interest on capital required or for the time of any other person employed by the Home Office of the Farm Bureau Cooperative Association.

* To the author from Mr. H. N. Wilson, July 15, 1940.

"As you know, volume handled through our potato sales office has fluctuated rather widely from year to year, as well as from month to month during each year; consequently, income for the operation of the sales office derived from sales commission of $2\frac{1}{2}\%$ per cwt. while more than adequate during months of large volume, has been inadequate during many months. Expenses, of course, have varied to a certain extent, in proportion to the volume handled, but it has been impossible to reduce fixed overhead sufficiently to balance with income during periods of low volume.

"The official audit as of December 31, 1939 shows the cumulative expense of this division exceeding the cumulative income as of December 31, 1939 in the amount of \$945.11 and in consequence, the balance sheet of our potato marketing division showed a deficit of that amount on January 1, 1940.

"In other words, while we have experienced several periods, sometimes six or eight months in succession, when the operation was self-supporting or better, we have not quite 'broken even' for the entire period of operation.

"If for any reason you would be interested in a more detailed analysis of expenditures, you are quite welcome to check either monthly statements or yearly audits at any time."

Modified Program Adopted for 1940-41

At intervals from December, 1938 to June, 1940 various proposed modifications of the program were considered by Farm Bureau officials meeting with interested growers, dealers, and representatives of state and federal marketing services. In the hope of creating a mechanism for moving the Ohio potato crop that would attract the support and patronage of small growers as well as large, independent growers as well as organized groups, it was agreed to modify the program in certain important particulars. It was hoped that a maximum amount of flexibility could be provided to permit each grower full choice in methods of grading, packing and selling in order to gain all possible economies, while at the same time exercising rigid control over grading standards and use of containers bearing a common brand. The primary purpose of the plan is to encourage consumer acceptance of Ohio potatoes by moving into midwestern markets the largest possible volume of uniformly graded and branded potatoes.

The essential features of the proposed program are as follows:

(1) Two new brands known as "Buckeye" brand and "U-til-O" brand have been created. These trademarks are owned by the Ohio Vegetable and Potato Growers Association, a non-commercial organization of Ohio growers. It is expected that the new brands will to a large extent displace the present Farm Bureau brands.

(2) Use of these brands will be open to all under regulations prescribed by a joint potato marketing committee, that committee to consist of three potato growers elected at the annual meeting of the potato section of the Ohio Vegetable and Potato Growers Association and three representatives elected by the Farm Bureau Cooperative Association, with additional representation from other organizations provided for as conditions warrant.

(3) A central office has been provided to be operated under the supervision of the joint potato marketing committee. The Ohio Farm Bureau Cooperative Association has been selected to provide and operate this office. Its functions will be:

- (a) To arrange for purchase and sale of branded bags. Each such bag will carry the legend "The Ohio Vegetable and Potato Growers Association, distributed by the Farm Bureau, Alliance, Ohio."
- (b) To furnish bag manufacturers with names and addresses of eligible packers qualified to use the brands.
- (c) To exercise control over quality of potatoes packed under the brands, through the State-Federal Food Products Inspection Service.
- (d) To maintain agreements with growers and growers' organizations covering conditions under which branded bags may be used, in compliance with terms promulgated by the joint potato marketing committee. Each qualified packer will be assigned an identifying number to be placed on each branded package sold.
- (e) To maintain contacts with the buying trade and to assist in making sales of all potatoes offered through it by users of branded bags.
- (f) To maintain a credit rating of all buyers and to make this available, upon request, to all users of branded bags.
- (g) To consult and advise all purchasers of branded bags regarding crop and market conditions influencing prices, to collect and disseminate market information and to compile data on current and prospective supplies of potatoes.
- (h) To furnish such accounting to all concerned as may be required by the joint potato marketing committee.

(4) The central office will be financed through an appropriate mark-up on the sale of branded bags. It has been estimated that not over \$3.00 per one thousand 15-pound paper bags and others in proportion will produce enough revenue to maintain the office and necessary personnel. Because of the favorable prices obtainable through consolidation of the buying power of many growers it has been estimated that growers will pay no more for bags than when purchasing them independently.

(5) In counties where the Farm Bureau maintains a marketing set-up the Farm Bureau Cooperative Association will act as a clearing-house for marketing service within that county and will control the distribution of branded bags. In counties where no such service is available, the joint potato marketing committee will pass on applications from individual growers or groups of growers for use of the brands and will recommend a method of distributing packages to them. Wherever a difference of opinion arises regarding whether the Farm Bureau or other organization shall provide the service, final decision will be made by the joint potato marketing committee.

(6) Potatoes packed under this program may be sold in any manner desired by the packer, except that potatoes in branded bags are not to be sold at prices below current quotations from the central sales office without approval from that office. Suppliers of potatoes are to invoice buyers direct;

the central sales office thus will serve essentially in a brokerage capacity, will handle no potatoes, make no collections or remittances from the sale of potatoes, and guarantee no collections. The only exception will be on the sale of potatoes which the Farm Bureau may elect to pack under its present brands and which presumably will continue to be moved in part at least through the central sales office.

Grading and packing rules for the 1940-41 season under this plan are as follows:

Grading and Packing Rules Effective July 10, 1940

(1) The government inspector has absolute and final authority to determine whether the potatoes being packed meet the requirements of the pack as specified under the grade requirements.

(2) Inspectors have been authorized by their superior to demand that any lot found out of grade be emptied and re-run or re-sacked so that the potatoes meet the requirements of the grades given below and a short form certificate be issued on all lots.

(3) Inspectors have been authorized to notify the Sales Office immediately by telephone collect if instructions are not followed.

(4) Above rules apply to inspection at shipping point only.

Grade Requirements

BUCKEYE - Blue Label - White varieties only. 2-in. minimum, 60% or more to be 2 1/4 in. up. Only high quality uniform lots to be used for packing out this grade. Avoid hollow potatoes. All other requirements same as U. S. No. 1 grade. 15# white paper bags only.

BUCKEYE - Red Label - Any variety. 1 7/8 in. minimum. Follow regular U. S. No. 1 requirements. 15# or 50# brown paper bags or new branded 100# burlap bags.

U-TIL-O - Green Label - Any variety. U. S. Commercial Grade. 1 7/8 in. minimum, 80% or better U. S. No. 1, meeting grade requirements. 50-lb. brown paper bags only.

U-TIL-O - Any variety. Ohio Combination Grade. 1 7/8 in. minimum, 50% or better U. S. No. 1, meeting grade requirements. 100# new burlap bags only.

UNCLASSIFIED - Black lettering - Any variety. 1 7/8 in. minimum. No decay or late blight permitted. Not to exceed 50% waste on any individual tuber. 50# brown paper bags only.

U. S. Commercial - Black lettering - Size B - Any variety - 1 1/2 in. to 2-in. size. 50# brown paper bags only.

IMPORTANT

(1) NO POTATOES PACKED IN BRANDED BAGS ARE TO BE SOLD AT PRICES BELOW QUOTATION FROM SALES OFFICE WITHOUT SALES OFFICE APPROVAL.

(2) EVERY BAG MUST BE STAMPED WITH MEMBERS NUMBER.

A formal agreement covering the essential features of the program is entered into by each participating grower or local association of growers and the Ohio Vegetable and Potato Growers Association. The only penalty for non-compliance is cancellation of the agreement, which in effect means that the association may withdraw from the grower or local association the privilege of using its brands. In such event branded bags in the hands of the individual member or member-organization can be disposed of only to a buyer or buyers approved by the association. The following is a copy of the agreement:

AGREEMENT

Number _____

Date _____

The undersigned, recognizing the need for a statewide potato marketing program in Ohio, agree to cooperate to promote the orderly marketing of potatoes.

Nothing contained herein shall be construed to require either party to sell any definite quantity of potatoes, but is designed to outline methods to be followed in the event that the undersigned member uses the services of the State Association.

This agreement may be cancelled by either party, at any time, by serving written notice upon the other party hereto. In case of cancellation, branded bags, in the hands of the member shall be sold only to another grower or association approved by the State Association.

Agreed Procedure:

1. Member orders bags through the sales office designated above. Bags will be shipped C.O.D. or sight draft at current price published by the State Association. Price of bags includes all services of the Central Office.
2. Member must grade and pack all potatoes packed in State Association bags in accordance with grading and packing rules of the State Association. Member pays Federal-State inspection fee direct to inspection department.
3. Member notifies office as to grade and quantity offered if he wishes to have sales made by sales office.
4. Sales office will, as soon as possible, advise price and place of delivery available. Member confirms, if satisfactory.
5. Member makes delivery as agreed. Member makes out three copies of invoice. He keeps one copy and sends two with the load, instructing hauler to have buyer sign one copy as a receipt. The other copy is left with buyer as basis for settlement. The sales office will furnish a recommended type of triplicate invoice, at cost, upon request.
6. If member makes sales direct to buyer he agrees to comply with all regulations the same as when sales are made through the sales office.
7. Member must report all sales completed, to sales office, daily. A form for this will be furnished by the sales office.

SIGNED

SIGNED

Member

for Vegetable & Potato Growers Ass'n.

The modified program has been undertaken in a spirit of experimentation, in the hope that it may increase the volume of uniformly graded Ohio potatoes under one brand, improve the reputation of and the demand for Ohio potatoes in midwestern markets, reduce marketing costs and simplify marketing procedure, yet retain for the individual grower as much freedom of choice as possible in deciding when, where and how to sell his crop. Its purpose is to introduce a greater amount of standardization into the preparation of Ohio potatoes for market, and to promote the welfare of the industry in this state. Whether it meets the expectations of its sponsors remains to be seen.

If in practice this program should result in greatly increased offerings through the central sales agency, the Ohio Farm Bureau Cooperative Association, it is possible for most if not all of these objectives to be reached. Concentration of supplies and centralized control over sales in the hands of one strong marketing organization ought to enable that organization to overcome many of its past handicaps. On the other hand, if the proposal attracts only a small volume of potatoes, or if the central office is permitted to function only as a supplier of bags, or if the potential bargaining power of the participating growers is dissipated through competitive selling by many individuals or groups, success is unlikely. It is hard to see how the demoralizing influence of price cutting, whenever demand is sluggish, can be carried on in the interest of a given brand of merchandise so long as that brand is being offered by many competing sellers, many of whom are weak bargainers, and so long as no strict measures can be imposed to insure price maintenance.

Moreover, the new program offers no solution for the problem of inadequate storage capacity and irregularity of offerings. No provision is made to prevent a flood of selling at harvest time nor a subsequent dearth during the winter and spring months. Unless further steps are taken to equalize sales throughout the entire season one of the most critical difficulties which the Farm Bureau has faced in the past is certain to remain.

It will be observed that in modifying the program emphasis has been placed upon uniformity of grading and packing. It may be that further experience will demonstrate the necessity for more coordination of sales in addition to standardization of grade and pack.

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