

Relationships Between Cooperative Organizations Serving Farmers in Five Ohio Counties

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RELATIONSHIPS BETWEEN COOPERATIVE ORGANIZATIONS SERVING FARMERS IN FIVE OHIO COUNTIES

GEORGE F. HENNING¹ AND L. B. MANN²

INTRODUCTION

Some cooperative leaders have visualized the day when there would be real cooperation between cooperatives, but this is still characterized by some leaders as "wishful thinking." Others, however, insist that, if cooperation is workable among members, the same advantages should apply when organizations work together.

LOCATION OF COOPERATIVE ASSOCIATIONS INCLUDED IN SURVEY

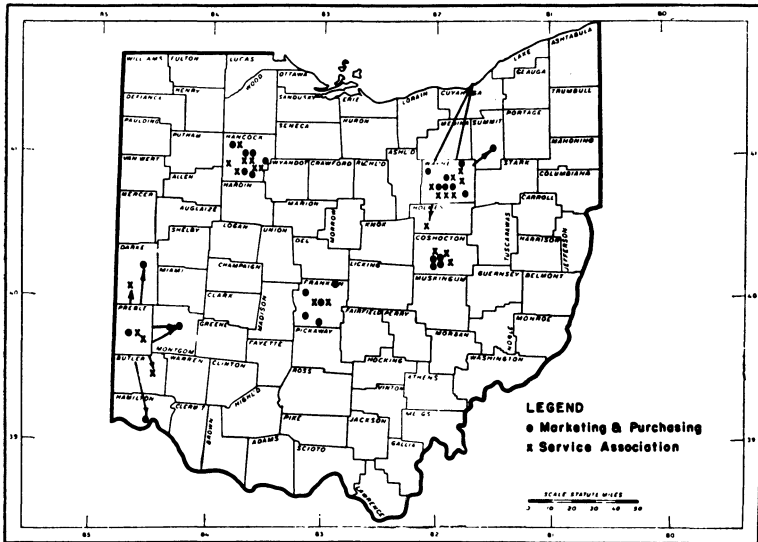


Figure 1

When the Ohio Council of Farm Cooperatives was formed in 1942, some of the council representatives believed that active joint participation of its member cooperatives in certain phases of the war effort should be undertaken. Some thought opportunities were particularly present in the transportation field; others, in better use of facilities and personnel.

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In view of the serious transportation problem and the possibilities of greater coordination of effort between cooperatives, the Ohio Council of Farm Cooperatives requested that a study be made of the situation in Ohio. This request was made to the Department of Rural Economics of the Ohio Agricultural Experiment Station and to the Cooperative Research and Service Division of the Farm Credit Administration.

The request was considered favorably and the survey was started late in 1943. Five counties in Ohio were selected for study—Hancock in the northwestern part of the State, Wayne in the northeast, Preble in the southwest, Franklin in the central part, and Coshocton in the east. These counties were believed to be representative of the cooperative, as well as of the agricultural development, in the State. It is, of course, difficult to find a group of counties that would meet all requirements.

Each cooperative in these five counties was visited and data were obtained from an informed employee, usually the manager. A list of the members of the cooperative was obtained and a letter and questionnaire were sent to a representative portion of its members, usually to every tenth one on the list. Also, a letter and a schedule were sent to the directors of each cooperative. In reply to these letters, usable schedules were returned by 290 members and 88 directors.

The basis of this report is, then, the information obtained from 30 marketing and purchasing cooperatives, 25 service cooperatives, (such as rural electric, insurance, or credit cooperatives), and the 378 members and directors referred to above. The location by counties of the various cooperatives are shown in figure 1.

AGRICULTURAL COOPERATION IN OHIO

Before presenting the data obtained from the cooperatives operating in the five counties, it was thought best to give a brief historical background of the cooperative movement in Ohio.

THE GRANGE IN OHIO

The Grange, the oldest of the present farm organizations, was fathered by O. H. Kelley, who organized the first Grange at Fredonia, New York, early in 1868 (1). The first Grange in Ohio was organized in Cleveland in 1870, and in 1873 the Ohio State Grange was formed at Lebanon, Ohio (2). From this early beginning the Ohio State Grange grew into one of our major farm organizations. In Ohio, in 1943 the Grange was reported to have Pomona Granges and Subordinate Granges with paid up memberships of around 88,000. Since the Grange includes men and women as members, the above membership would probably represent 35,000 to 40,000 farms in Ohio.

The five counties involved in this study had 65 Granges with a membership of 5,505 (table 1). While the Grange carried on very little business activity in the five counties covered by this study, the Grange members did support the existing cooperatives there. It has been the policy of the Ohio Grange for its members to belong to the local cooperatives and to support such agencies rather than to develop new cooperatives as Grange activities.

There are some exceptions. The Ohio State Grange does maintain a business department and engages in the purchasing of some farm supplies, such as fertilizer, twine, coal, some petroleum products, tires, etc., for local Grange members desiring such service. The volume of business carried on by the Grange was very small in the five counties studied.

TABLE 1.—Number of Granges and membership for five Ohio counties, 1943

County	Pomona*	Grange	Membership
	No.	No.	No.
Hancock.....	1	12	1089
Wayne.....	1	17	1579
Coshocton.....	1	17	1286
Franklin.....	1	10	964
Preble.....	1	9	587
Total.....	5	65	5505

*Source: 1944 County Grange Handbook, published by Ohio State Grange.

The Ohio State Grange also has an automobile insurance company, which provides various kinds of automobile insurance to Grange members.

The Ohio State Grange Mutual Insurance Association provides fire insurance on a State-wide basis. Several other fire insurance associations operate in certain sections of Ohio with the Grange membership.

Life insurance is also furnished by the Farmers and Traders Life Insurance Company of Syracuse, N. Y., an organization associated with the National Grange.

From the standpoint of this study no analysis will be made of the Grange and its program, since its activities are largely social and legislative. However, the organization is important in the State and its indirect contribution to the cooperative movement is considerable.

FARM BUREAU

The Farm Bureau, as a farm organization, developed at the close of World War I. To understand its development a short background may be helpful. The Smith Lever Act, passed by Congress in 1914, provided Federal funds for the Agricultural Extension Service which has a direct contact with farmers through the county extension agents. During the first world war, as an aid to agricultural production, emphasis was placed on the establishment of county agricultural agents. One of the requirements in securing such agents for a county was the creation of a County Farm Bureau, the organization through which the county agent worked with the farmers. The usual requirement in the beginning for farmers to belong to the County Farm Bureau was the payment of one dollar annual membership fee.³ The county agricultural agents, in carrying out their war time activities during World War I, worked with the officers and members of the County Farm Bureaus.

In the discussion of problems, officers of the County Farm Bureaus were frequently called to state meetings to meet with the Extension specialists and county agents. This brought the County Farm Bureau leaders together, especially during 1916, 1917, and 1918. At Farmers' Week, agricultural leaders from all over the state of Ohio came together in the discussion of important agricultural subjects. Such meetings brought out the idea of forming a state organization of the County Farm Bureaus.

³The annual fee at the time of this study was \$5.

During Farmers' Week at The Ohio State University, held in February 1918, representatives from 26 County Farm Bureaus made plans for a State Federation in Ohio. Illinois in 1916 and New York in 1917 had already formed such State Federations. During 1918 plans were completed for a State Federation of the Farm Bureaus in Ohio, and on January 27 and 28, 1919, County Farm Bureau representatives from 70 counties in Ohio ratified and adopted a constitution and by-laws for the Ohio Farm Bureau Federation. Nine directors were selected (3, 4, 5). The membership of the Ohio Farm Bureau grew rapidly and approximated 100,000 in the early twenties; however, it declined to around 10,000 in the depression of the thirties and was 30,118⁴ at the close of 1943, when this study was made.

The Ohio Farm Bureau Federation at once became active in agricultural affairs and began to work on the problems confronting the farmer. Two of these concern us in connection with this discussion; one was the marketing of agricultural commodities and the other, the purchasing of farm supplies.

During the early twenties the Ohio Farm Bureau formed, organized, and gave aid to many of the commodity cooperatives in the State, especially livestock and dairy. They also became interested in state-wide purchasing of farm supplies. Although several changes in organization and emphasis were made during the first decade, increased volume purchased cooperatively has been the result through the years.

Today this activity of the Farm Bureau has two main divisions: One, the Ohio Farm Bureau Cooperative Association, which is the state-wide wholesale Purchasing Cooperative and, two, the County Farm Bureau Cooperative Associations, owned by about 35,000 farmer members, which has 157 local service points as of 1943 and is located in 84 counties of the State. These county units serve their 100,000 farmer patrons by supplying many items such as petroleum, feed, fertilizer, coal, numerous hardware items, building supplies, and, in some counties, farm machinery. In some counties elevators are operated, thus furnishing a market for grain. The volume of these 84 county units in 1943 amounted to about \$25,000,000.

In the five counties involved in this study each county had a Farm Bureau Cooperative Association in operation. There was a membership of 2,665 which was served at eleven points, table 2.

TABLE 2.—Farm Bureau Cooperative Associations and membership for five Ohio counties, 1943

County	Points served	Members		Year organized
		Total	In county	
Hancock.....	No. 3	No. 787	No. 735	1933
Wayne.....	2	573	573	1934
Coshocton.....	1	316	300	1934
Franklin.....	2	400	400	1935
Preble.....	3	589	589	1937
Total	11	2,665	2,597	.....

The Ohio Farm Bureau Cooperative Association acts as the state-wide cooperative for the County Farm Bureau Cooperative Associations, principally in the purchasing of farm supplies. This state-wide cooperative has entered

⁴Ohio Farm Bureau News, March, 1944.

the manufacturing and processing field. They own, or partly own with other cooperatives, fertilizer plants, feed mills, paint factories, chick hatcheries, oil refineries, farm machinery, and oil blending plants. Thus, they serve the local county cooperatives from their cooperatively-owned mills and plants, as well as from other privately owned sources.

The Ohio Farm Bureau Cooperative also has membership in the United Cooperatives, the National Cooperatives, Inc., and the National Farm Machinery Cooperatives. These three latter cooperatives are the regional or national cooperatives through which the State wholesale cooperatives work with one another in their processing and manufacturing problems on a regional or a national basis.

Thus, the member and patron of any of the 84 County Farm Bureau Cooperatives in the State has a cooperative organizational structure, which can serve him locally, or on a state-wide, a regional, or a national basis.

The yearly sales volume of the Ohio Farm Bureau Cooperative Association, Inc., for recent years has been as follows: 1939, \$7,057,000; 1940, \$7,304,000; 1941, \$9,979,000; 1942, \$12,951,000 and 1943, \$19,891,000. This shows that the volume is increasing from year to year. Although some of this increased volume is due to higher prices because of the war, nevertheless, the trend in volume seems to be definitely upward.

Other economic activities of the Farm Bureau include the furnishing of automobile, fire, and life insurance, with a separate insurance company to serve each kind of risk. The Automobile Insurance Association was started in 1926, the Fire Insurance Company in 1934, and the Life Insurance Company in 1935. These insurance activities have been very successful and a sizable net worth has been accumulated.

The Farm Bureau Agricultural Credit Cooperative was organized in 1931 to aid farmers in securing production credit and to aid the County Farm Bureau Cooperative Associations in keeping accounts receivable to a minimum.

FARMER ELEVATORS

The farmer elevator movement began in Ohio in 1904 with the organization of an elevator at Rocky Ridge. By 1924 there had been 286 farmer elevators organized (6). Of these about 45 per cent were organized by local effort. However, the Equity Union, Farmers Grain Dealers Association, and the Farm Bureau also gave assistance, since 26 per cent, 21 per cent, and 6 per cent, respectively, or a total of 53 per cent, were organized by these three groups (6).

The Farmers Grain Dealers Association was formed in 1916 at Toledo and has served as the State Elevator organization since that time.

The elevators organized by the Equity Union had a central organization of their own, which went through a reorganization in 1926. Since that time, this organization, known as the Ohio Equity Exchange Company, has served and is owned by about 60 of the elevators in Ohio.⁵ Operations have consisted mainly of wholesaling grain and seed for its member elevators and of purchasing feed, fertilizer, coal, twine, fencing, paint, and lubricating oils.

⁵"Ohio Cooperatives for Business Activities," Agricultural Extension Service Bulletin No. 191 (1937).

In 1929, many of the farmer elevators concluded that they needed a farm supply association and, hence, at that time organized the Ohio Farmers Grain and Supply Association. It has served as a broker and jobber in the purchasing of farm supplies handled by the farmer elevators. Their major activities have been in the purchasing of paints, fence, twine, feed, coal, fertilizer, etc. The volume of business in 1943 was about \$1,500,000. At the present time there are approximately 70 elevators that are members of this Association.

When the Federal Farm Board organized the Farmers National Grain Marketing Corporation in 1929, the Ohio elevators took membership through the Grain and Supply Association. Later, in 1938, after the Farmers National Grain Marketing Corporation had ceased operations, the Ohio elevator group formed the Ohio Farmers' Grain Corporation which took over certain assets at Fostoria of the then liquidating Farmers National Grain Marketing Corporation. The main function of this new Ohio organization was to market grain for their 60 elevator members, as well as for others, and to store and to condition grain at their warehouses.

Thus, the farmer elevator group has expanded in two directions: (a) Through the formation of a State grain sales and handling agency and (b) through a wholesale jobbing brokerage and purchasing association to furnish farm supplies to farmer elevators. Other than the mixing of farm fertilizers, no move has been made into the fields of processing and manufacturing.

At the time of this study there were 145 farmer elevators operating at 190 points in Ohio. These are located principally in the western part of the State and in 1943 their volume of business (7) amounted to about \$57,000,000. Of this volume about 40 per cent was from farm supplies and the balance was from the marketing of commodities, chiefly grain.

Not all farmer elevators are cooperative. Some are regular corporations in which most of the memberships are owned by farmers. They usually operate with some cooperative principles, such as one man—one vote, patronage dividends to members, limiting the shares of stock held by a member, or the amount of dividends that may be declared per share. Only a few, however, set aside patronage dividends to the credit of non-members and in this way bring in the patrons as members. Some do more business with non-members than they do with members.

TABLE 3.—The number of farmer elevators and membership in five Ohio counties, 1943

County	Number	Members		Year organized
		Total	County	
Hancock.....	4	<i>No.</i> 1773	<i>No.</i> 1275	1916, 1918, 1919, 1932
Wayne.....	3	853	780	1917, 1919, 1921
Coshocton.....	1	250	250	1921
Franklin.....	3	798	678	all in 1920
Preble.....	0	.....	.....	.....
Total.....	11	3674	2983	.....

The farmer elevators in the five counties in this study total 11, of which one was organized in 1916, one in 1917, one in 1918, two in 1919, three in 1920, two in 1921, and one in 1922. The combined membership of these 11 elevators was 3674, table 3. Four of the five counties had farmer elevators. Preble was the exception; this county is served only by the County Farm Bureau Cooperative.

LIVESTOCK COOPERATIVES

The cooperative livestock movement, which started much later (8) in Ohio than in the western Corn Belt region, began in 1916 (9) with the organization of a local shipping association at New Concord. The next association started at Hicksville in 1919. About 1920, a shift in emphasis was made to the organization of county, rather than local, associations. County associations were organized in 63 counties in Ohio by the close of 1925 (8), thus covering the most important livestock areas in the State.

Terminal livestock selling agencies (10) in which Ohio farmers were interested were started by the cooperative interests at Buffalo in November 1922, Cleveland in May 1925, Pittsburgh in October 1923, Cincinnati in February 1925, Columbus in 1929, and Dayton (8) in 1935.

These selling agencies have continued to operate up to the present time, with the exception of the Pittsburgh and Cleveland organizations which consolidated into one organization in 1934 (8). They now are known as the Producers Livestock Cooperative Association. Selling agencies at the time of this study were operated at Columbus, Cleveland, Coshocton, Findlay, Hicksville, Mt. Vernon, Pittsburgh, Toledo, Wapakoneta, and Washington C. H. Cincinnati producers organized a branch at Dayton in 1935. Cooperative Marketing agencies for southwestern Ohio were in operation at Cincinnati and Dayton.

The membership of the two large livestock cooperative associations, plus the smaller county livestock cooperatives, probably numbered around 80,000 farmers at the close of 1943. This membership during the year of 1943 marketed livestock through the above cooperatives in excess of \$75,000,000. In addition to the marketing of livestock direct to packers, through the terminal markets and by auctions, these livestock cooperatives also secure feeders from nearby and western areas, assist farmers in feeding livestock by financing livestock loans, aid in livestock improvement programs, assist farmers with truck transportation, own and operate local livestock yards, represent livestock farmers through state and national organizations and councils, and furnish market and other information to livestock farmers.

TABLE 4.—Number of livestock cooperatives operating and membership in five Ohio counties

County	Number	Members		Year started
		Total	County	
Hancock.....	1*	No. 3,500	No. 1,500	1940†
Wayne.....	2*	13,330	1,190	1923 and 1938†
Coshocton.....	1	2,500	1,500	1921
Franklin.....	1	8,680	2,017	1925
Preble.....	2*	37,478	950	1925 and 1935†
Total.....	.....	65,488	7,157	.....

*The Producers Livestock Cooperative Association operates at Findlay in Hancock, at Cleveland for Wayne, at Coshocton, and at Columbus in Franklin. Wayne has in addition a local lamb association. The Producers at Dayton and Cincinnati operate in Preble.

†Refers to the time when the market started for each respective county.

These cooperatives are also members of the National Livestock Producers Association, an organization of livestock cooperatives to work on livestock problems on the national level, and of the National Livestock and Meat Board.

Of the original 63 county associations organized in the early 1920's, only those in Pickaway, Darke, Putnam, and Wyandot Counties were operating in 1944 as independent associations. Several lamb pools which have been organized in some counties operate in conjunction with the cooperative markets at Cincinnati, Cleveland, and Columbus. The most important lamb pools are in Clinton, Highland, Preble, Butler, Madison, and Hancock Counties. In addition, about 100 lamb feeders in the area around Wooster organized for purchasing feeder lambs in 1938.

In the five counties in this study there were more than 7,000 members in the livestock cooperatives, table 4.

POULTRY AND EGG COOPERATIVES

Cooperative marketing of poultry and eggs did not start in Ohio until the early twenties. The Pandora, Putnam County, shipping association started in 1923 and was the first egg marketing cooperative in the State. Another cooperative egg marketing association fostered by the Farm Bureau was started in the early twenties in Williams, Defiance, Fulton, and Henry Counties, but after operating about 7 years it ceased operations (11).

Some of the dairy organizations (11) took up the marketing of eggs but have not expanded their operations very much. These cooperatives were the Farmers Equity Union Creamery Company at Lima, Cooperative Pure Milk Association at Cincinnati, and the Pickaway Dairy Cooperative at Circleville.

The Ohio Farm Bureau (11) again became interested in egg marketing in the early thirties. Eggs were handled at Jackson, Napoleon, Tiffin, Ashland, and Pandora. Operations were started at other points but by 1944, eggs were handled only at Washington C. H., Jackson, Coshocton, Dresden, Fremont, and Marietta. Eggs were sold by the Farm Bureau Cooperative Association in Cleveland and Columbus.

In July 1932, the Wooster Cooperative Poultry Association (11) was started and used the auction method of marketing eggs for the first time in Ohio. Other cooperative egg auctions were started at Bucyrus in 1934, Versailles in 1938, Napoleon in 1938, and Nelsonville in 1941. The Northeast Ohio Poultry Association organized in 1934 did not use the auction method. In 1940 the Federated Egg Cooperative, Inc. was organized to improve the sales outlets of the existing egg marketing cooperatives. The volume handled in 1943 by the poultry and egg cooperatives amounted to nearly \$12,000,000.

In this study the organizations at Wooster and Versailles were included. Their membership totaled 2446, with 517 members in Wayne and Preble Counties.

DAIRY COOPERATIVE ASSOCIATIONS

The first dairy cooperatives organized in Ohio, other than the cheese factories, were the Scioto Valley Milk Producers of the Columbus territory, the Milk Producers at Lancaster, and the Cooperative Cream Association at Quaker City. These three organizations started operations in 1916. The Milk Producers Association of Summit County and the Tuscarawas Valley Association of Dover started the following year. Fifteen more were organized by the close of 1931. With the passage of the Burke Act in 1932, a number of dairy organizations were started in the smaller markets of the State, and many of them are still operating.

Approximately 40 dairy cooperatives were operating at the time of this study. They were located around the more densely populated areas of Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo, and Youngstown, as well as in Ashland, Athens, Barnesville, Bellefontaine, Bucyrus, Chillicothe, Circleville, Coshocton, Dorset, Dover, Grafton, Georgetown, Gallipolis, Lancaster, Lima, Marietta, Marion, Mansfield, Newark, Portsmouth, Quaker City, Sidney, Troy, Washington Court House, and Zanesville. Thus, dairy cooperatives are serving the major dairy areas of the State.

In addition to these dairy associations which primarily handle milk and cream for their members, there are a number of cheese factories which manufacture Swiss cheese. These are located principally in northeastern Ohio and have been operating for many years. Some have been operating on cooperative principles and have, within recent years, organized under the cooperative law.

Two of these cheese organizations are included in this study. In addition, the dairy cooperatives at Cleveland, Akron, Dayton, and Coshocton are included.⁶ The membership of all these dairy cooperatives was 7915, of which 1244 were located in the five counties involved in this study.

WOOL COOPERATIVES

The Ohio Wool Growers Cooperative Association is today the major cooperative⁷ marketing wool for Ohio farmers. This organization, incorporated in 1923, started in 1918. Its volume comes almost entirely from wool growers in Ohio. For the year 1943, this cooperative handled over 3,200,000 pounds of wool, valued at \$1,620,000, for 8000 members and patrons.

There are no local wool associations operating as marketing cooperatives in this State. All cooperative wool marketing is concentrated in this one central organization which grades, finances, stores, and offers for sale to the various manufacturers the wool consigned by the patrons.

Local elevators (mostly farmer-owned), Farm Bureau Cooperative Associations, and some of the local livestock cooperatives act as representatives of the wool organization in the various producing areas in assembling and transporting this wool to the central warehouse at Columbus. In some instances advances are made direct to the wool grower by some of the above mentioned cooperatives acting as agents for the Ohio Wool Growers Cooperative Association. There were approximately 45 such local agencies that buy or concentrate wool for the association.

Some of the farmer elevators buy wool outright as a local dealer and resell it, but this wool usually does not go through the cooperative channels described above.

Wool growers who consigned wool to this Cooperative in 1943 from the five counties in the study number 909, listed as follows: Hancock, 240; Wayne, 136; Coshocton, 93; Franklin, 380; and Preble, 60. Most of these are members.

FRUIT AND VEGETABLE COOPERATIVES

The oldest cooperative in this field in Ohio is the Marietta Truck Growers Association, which was organized in 1907. Other cooperatives operating at the time of this study were located in Ashtabula County and in areas around

⁶The Columbus Milk Producers Association was in the area studied but data and information were not furnished.

⁷A few local cooperatives handle a small volume of wool.

Akron, Cleveland, Cincinnati, Columbus, Toledo, and Geneva. Most of them have been organized since 1930 and market fruits or vegetables or both. In 1934, the potato growers of northeastern Ohio began to grade and standardize their pack. Finally, the potato growers in 1944 organized the Ohio Vegetable and Potato Growers' Association which is now operating in Columbiana, Mahoning, Ashtabula, Trumbull, Portage, Geauga, Lake, Medina, Wayne, Richland, Sandusky, Erie, and several other counties.

There were no fruit and vegetable cooperatives operating in the five counties covered by this study, but a few of the members of the cooperatives studied indicated that they were members of fruit or vegetable cooperatives in nearby counties.

OHIO COUNCIL OF FARM COOPERATIVES

For some time leaders of agricultural cooperatives in Ohio talked of the possibilities of a cooperative council. Such a council was started about a decade ago but due to several reasons disbanded after a few years of activity.

Again in 1940 the question arose and after some preliminary meetings the Ohio Council of Farm Cooperatives was organized November 11, 1942. It was decided to admit only those cooperatives that were operating on a state-wide basis, or at least over a large part of the State. At present the members are the Producers Livestock Cooperative Associations, Ohio Wool Growers Cooperative Association, The Ohio State Grange (Cooperative Department), The Ohio Farmers Grain and Supply Association, The Farm Bureau Cooperative Association, The Federated Egg Cooperative, and the Ohio Cooperative Milk Producers Federation.

The purposes of the council according to the constitution and by-laws are:

1. To promote, encourage, and protect agricultural cooperation in the State of Ohio.
2. To develop a closer working relationship between agricultural cooperatives in the State.
3. To aid in the development and maintenance of a spirit of cooperation and co-ordination of effort among agricultural cooperatives, general farm organizations, and other agencies interested in the cooperative movement.
4. To assist farmers' cooperative associations engaged in marketing farm products, purchasing of farm supplies, extending of credit and other business activities and services among farmers and cooperate with Federal and State research, teaching and extension officials, and other agencies such as the Farm Bureau and the Grange in the State, in the promotion of educational methods, which will insure a better understanding by growers and the public generally of the principles and practices of cooperative business organizations.
5. To encourage the formation and maintenance of soundly planned cooperative associations in the State of Ohio after the need for them is established to the satisfaction of the Council.
6. To cooperate with Transportation Agencies, Federal and State Research, teaching and extension officials, cooperative marketing associations and others to improve transportation facilities and to secure more economical and efficient handling of agricultural products, supplies, and equipment.

7. To support Federal and State legislation deemed to be in the best interests of agriculture and of the cooperative movement, and to oppose unfavorable legislation.
8. To engage in such other activities, which the Council may deem helpful in the advancement of the agricultural interests in this State, and to cooperate with the agricultural cooperatives in other states.

Each of the commodity groups has one vote and one member on the Board of Directors. Organizations eligible for membership are those engaged in the marketing or purchasing of (1) poultry and eggs, (2) livestock, (3) dairy products, (4) wool, (5) grain, (6) supplies, (7) fruits, (8) vegetables, (9) honey.

The council has operated on the principle of unanimous approval. Questions on which opinion was divided have been dropped.

The livestock, wool, grain and supply, dairy, and Farm Bureau Cooperatives are members of the National Council of Farm Cooperatives. This organization represents the cooperatives nationally, especially in legislative affairs.

AGRICULTURAL COOPERATIVES IN FIVE OHIO COUNTIES

The five counties (Hancock, Wayne, Coshoc-ton, Franklin, and Preble) include most kinds of agricultural cooperatives in the State, except fruits and vegetables. In table 5 is presented the number of cooperatives by groups for each of the five counties. Some cooperatives, operate on a state-wide or regional basis; therefore, they are so indicated in the table.

TABLE 5.—Number of cooperatives by groups operating in five Ohio counties, 1943

Kind	Hancock	Wayne	Franklin	Coshoc-ton	Preble	State-wide	Total
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Livestock.....	*	1*	*	1	2	1*	5
Grain and farm supplies.....	5	4	4	2	1	.....	16
Dairy.....	.....	4	.....	1	1	.....	6
Wool.....	.....	.....	.....	.....	.....	1	1
Poultry.....	.....	1	.....	.....	1	.....	2
Production credit associa-tions.....	1	1	1	1	1	.....	5
National Farm Loan Associa-tions.....	1	1	1	1	1	.....	5
Rural electric associations.....	1	1	.....	1	2	.....	5
Insurance.....	4	4	.....	.....	.....	†	9
Locker.....	.....	1	.....	.....	.....	.....	1
Total.....	12	18	6	7	9	3	55

*Producers Livestock Cooperative Association operates branches that serve the three counties in this study; namely, Findlay, Columbus, and Cleveland.

†The Farm Bureau Insurance Company operates in the five counties but on a state-wide basis. Several other fire insurance companies do likewise but were not included.

It is believed that these five counties give as good a representative cross section of the cooperatives serving agriculture in Ohio as any five counties that could have been selected. Many factors were taken into consideration in selecting the counties, and the writers believe that a study of the cooperatives in these five counties will reflect reasonably well all the cooperatives in the State for the groups studied.

The 30 marketing and purchasing cooperatives covered in this study employed a total of 526 people. However, in the case of some of the livestock, wool, and dairy associations, this represents the total personnel for state-wide or regional operations. The grain elevators had the largest number with 160 employees, and farm supply associations had the smallest with 78. The average number of employees per association in the grain, poultry, and farm supply associations was 17.

The number of employees reported by the 25 cooperative service associations operating in these counties was 109. Inasmuch as several of the associations operate in a wider area than one county, this number of employees is larger than is utilized in the five-county area but there was no way of determining it on any other basis.

COOPERATIVE BUSINESS HANDLED BY GROUPS OTHER THAN MARKETING AND PURCHASING

In addition to the 30 marketing and purchasing cooperatives, there were 25 others performing various services in the five counties studied. These consisted of five production credit associations, five national farm loan associations, five rural electric associations, and one cooperative locker plant. In addition, about 15 mutual farm insurance associations were serving the five counties, but information was obtained from only part of these as the others were regional or state-wide organizations.

The oldest of these cooperative service enterprises were the insurance groups. One of these groups started as early as 1888 and most of them were organized between that date and 1910.

Extension of credit is another important cooperative service in the counties studied. Long-term credit was handled through the national farm loan associations and short-term credit through the production credit associations. Some additional cooperative production credit was provided by the Producers Livestock Credit Association and the Farm Bureau Agricultural Credit Corporation, both with headquarters at Columbus.

Federal farm loan associations were set up following the passage of the Federal Farm Loan Act in 1917. The first national farm loan association to receive a charter in Ohio was Lake County National Farm Loan Association of Madison, Ohio, under date of July 25, 1917. Twelve associations were chartered that year and most of the others from 1919 to 1923.

In recent years definite progress has been made toward the consolidation of local credit associations. At the close of 1943, 82 associations were operating in the State with 47 secretary-treasurers, while the ultimate plan provides for 24 such associations.

As of December 31, 1943, the number of Federal Land Bank and Commissioner Loans outstanding in Ohio totaled 22,450, with a combined value of \$61,777,100. Table 6 shows the number and volume of loans made in the five counties studied.

Production credit associations in Ohio were organized in 1934, following the passage of the Farm Credit Act of 1933 which consolidated most of the Federal agricultural financing agencies dealing with long- and short-term agricultural credit.

The first charters granted were issued in February 1934 for the Miami Valley and Ashland Associations. Twelve associations were organized during 1934 and no change has taken place either in the number of associations or in the territory served.

The total volume of loans made by the Ohio production credit associations in 1943 was \$14,734,800 and the loans outstanding on December 31, 1943, amounted to \$7,975,362.

Table 7 indicates the number, the amount of loans, and the membership of the associations operating in the five-county area.

TABLE 6.—Number and amount of loans† of National Farm Loan Associations in five Ohio counties as of December 31, 1943

Association*	County	Year chartered	Number of loans outstanding*	Volume of loans	Membership
			<i>No.</i>		<i>No.</i>
Columbus	Franklin	1923	319	\$837,970	294
Coshocton County.....	Coshocton	1917	142	204,211	79
Hancock County	Hancock	1921	446	916,835	248
Preble County.....	Preble	1917	464	914,739	297
Wayne County	Wayne	1921	485	961,339	324
Total			1856	3,835,094	1,242

*Each of these associations serve more than one county but volume figures shown are for one county only.

†Includes both Federal Land Bank and Land Bank Commissioner Loans.

The rural electric associations were organized during the late 1930's following the passage of the Rural Electrification Act of 1936 and the establishment of the Rural Electrification Administration that year. Under this act loans may be made to persons, corporations, public bodies, cooperatives, non-profit, or limited dividend associations to finance the construction of rural electric distribution systems, to finance the wiring of premises of persons in rural areas, and for the acquisition and installation of electrical and plumbing appliances and equipment.

TABLE 7.—Number and amount of loans and memberships of production credit associations in five Ohio counties, 1943

Association	County	Loans made during 1943		Loans outstanding December 31, 1943		Number of stockholders
		Number	Amount	Number	Amount	
Columbus.....	Franklin	114	\$175,626	97	\$ 84,933	182
Cambridge	Coshocton	84	145,123	78	92,895	120
Black Swamp.....	Hancock	216	296,239	158	134,233	484
Ashland	Wayne	262	385,661	215	220,638	329
Miami Valley.....	Preble	248	362,729	232	209,329	297
Total		924	1,365,378	780	742,028	1,412

Preference is granted public bodies and cooperative non-profit or limited dividend associations. The rural electric associations also provide initial engineering and legal assistance to borrowers.

The one cooperative locker plant in the area is operated by the Marshallville Equity Company in Wayne County and was established in 1939.

SOME CHARACTERISTICS OF THE COOPERATIVE MEMBERS AND DIRECTORS IN THE SAMPLE COMPRISING THIS STUDY

The sample for the study consisted of 378 schedules from members and directors; that is, 88 from directors and 290 from individual members. The type and size of farm operation covered by this sample are indicated by the data in table 8.

TABLE 8.—Size of farms operated by directors and members of cooperatives in five Ohio counties, 1943

Acreage	Farm owner		Tenant		Owner renting additional land		Total group		Total
	Director	Member	Director	Member	Director	Member	Director	Member	
80 acres or less	No. 1	No. 34	No. 1	No. 10	No. 1	No. 1	No. 3	No. 45	No. 48
81-160 acres.....	21	80	1	29	0	18	22	127	149
161-300 acres.....	22	47	2	26	10	14	34	87	121
300 acres or more.....	18	21	0	5	7	3	29	25	54
No information	4	2	.....	.....	.....	.....	4	2	6
Total	66	184	4	70	18	36	92	286	378
Average acreage	(253)	(157)	(176)	(159)	(300)	(172)	(259)	(159)	(182)

Of the 378 members on which information was tabulated, 48 farmers, or 12 per cent, operated farms of 80 acres or less; 149, or 39 per cent, from 80 to 160 acres; 121, or 32 per cent, from 160 to 300 acres; and 54 patrons, or 14 per cent, over 300 acres. This includes a fairly good distribution of member operations according to size of operation.

The total acreage operated by the 378 members and directors was 67,126; that is, an average acreage per farm of 182. Directors' farms averaged 259 acres and members' farms 159. Sixty-six per cent of the total members and directors were farm owners, while 20 per cent were tenants and 14 per cent were both farm-owners and tenants. All but four of the directors were either farm owners or combination farm owners and tenants.

TABLE 9.—Directors and members of cooperatives classified by type of farm operation in five counties, 1943

Cooperative	Farm owner		Tenant		Owner renting additional land		No information		Total		Total
	Director	Patron	Director	Patron	Director	Patron	Director	Patron	Director	Patron	
Livestock	No. 45	No. 84	No. 3	No. 33	No. 12	No. 14	No. 2	No. 1	No. 62	No. 132	No. 194
Elevator	34	82	3	22	11	13	2	1	50	118	168
Farm Bureau Co-operative	47	116	2	42	13	23	2	1	64	182	246
Dairy	28	35	2	17	5	7	2	.....	37	59	96
Wool.....	23	48	.....	9	6	7	1	.....	30	64	94
Poultry	11	31	1	16	2	7	.....	.....	14	54	68
Fruits and vegetables.....	.....	1	.....	2	.....	.....	.....	.....	.....	3	3
Other .....	.....	.....	.....	.....	.....	.....	2	.....	2	.....	2
Total members*.	62	182	4	70	18	36	4	2	88	290	378

*These columns do not total because the directors and members were members of more than one cooperative, hence were listed more than once.

Analysis of the membership of these directors and members in one or more cooperative organizations indicates that 194 were livestock patrons; 168, elevator patrons; 246, Farm Bureau supply; 96, dairy; 94, wool; 68, poultry; and 3, members of fruit and vegetable associations. (See table 9).

As an indication of membership in more than one cooperative, it is interesting that 11 directors were members of but one cooperative; 17, of two associations; 36, of three associations; 15, of four associations; 7, of five cooperatives; and 2 were members of six associations. Of the 290 patrons (who were not directors), 105, or 36.2 per cent, were patrons of one cooperative; 75, or 25.8 per cent, of two; 66, or 22.7 per cent, of three associations; 28, of four cooperatives; 15, of five; and 1 was a member of six different cooperatives. To summarize, 63.8 per cent were members of more than one cooperative. This is a much higher percentage of duplication in membership than was shown for the total membership of the cooperatives in four counties. (See table 11 and fig. 2.) It appears then that the sample includes members that are more cooperative minded than the average member.

The census for the five counties for the year 1940 shows that, of the farm operators, farm owners made up 60.8 per cent; tenants, 29.6 per cent; and part owners and tenants, 9.1 per cent. The balance consisted of farm managers. The census further shows that the average size of farm for the five counties was 98.6 acres. Thus, the group of 378 farmers furnishing information for the study was made up of farmers operating larger acreages than the average. There were also slightly more farm owners and fewer tenants than shown by the census. This might have been expected, for many of the small farmers or tenants were not members of the cooperatives. Some may have been patrons who had not taken out membership.

Membership in general farm organizations was also well represented by the patrons who were surveyed. Approximately 40 per cent of the members and directors were Farm Bureau members; 7 per cent, Grange; and 24 per cent were members of both Grange and Farm Bureau; while 28 per cent were members of no farm organization. These facts would indicate that there is a considerable amount of interlocking membership on the part of members and directors of the cooperatives with the general farm organizations.

MEMBERSHIP OF THE COOPERATIVES

It was found that the 30 marketing and purchasing cooperatives studied had a membership of 15,413 members in the five counties, or an average of 3,082 per county. This does not mean that 3,082 different farmers in each county belong; a farmer may belong to two or more cooperatives. If the farmer belonged to three cooperatives, then only one-third of the above number would represent individual farmers.

Of the cooperative membership in these counties, members of livestock cooperatives represent about 58 per cent of the total; grain, 15 per cent; farm supplies, 13 per cent; dairy, 6 per cent; wool, 5 per cent; and poultry, 3 per cent.

The average membership of the different cooperatives per county was: livestock, 1430; farmer elevator, 596; farm supplies, 519; dairy, 415;⁸ wool, 183; poultry, 253.⁹ This shows that the livestock cooperatives have the largest membership per county and the wool growers the smallest.

⁸Dairy cooperatives in only three counties.

⁹Poultry cooperatives in only two counties.

Membership requirements differed between the cooperatives. The largest group, or 63 per cent of the marketing and purchasing associations, required the purchase of stock for membership. The other 37 per cent did not have the purchase of capital stock as a basis of membership but required instead a membership fee, agreement, or some other device.

Most of these associations requiring the purchase of stock as the basis of membership have usually required the purchase of only one share (85 per cent of the associations.) Ten per cent of the associations required two shares; only one association required the purchase of four shares.

The value per share varied from \$1.00 to \$100.00—30 per cent of the associations had \$100 shares; 25 per cent had \$10 shares; 20 per cent had \$25 shares; 10 per cent had \$50 shares; and the remainder, \$12.50 or \$1.00 shares.

Ten per cent of the associations required members to purchase two shares of \$100 each. This amount of \$200 was the largest investment required for membership in any of the cooperatives studied. On the other hand, one of the dairy associations required only the purchase of one share value at \$1.00. The amount of investment required per member varied among the cooperatives according to their needs and purposes.

Membership fees varied for the associations, being either \$1.00, \$2.00, \$3.00, or \$5.00 for the associations furnishing information. Half of these associations which charged membership fees required only \$1.00. The livestock and wool associations, on the other hand, require no membership fee. By endorsing their check¹⁰ farmers applied for membership in the livestock association.¹¹ Farmers became members of the wool association by signing an agreement.

About one-third of the associations required the payment of annual membership dues but most of them issued membership either for life or for as long as the member was actively engaged in farming operations. Some of the milk and dairy associations required members to sign a contract to deliver their milk to the association; while other cooperatives, such as those handling livestock, operate with no obligation on the part of members to deliver their product to the association. The wool association required a member to sign a marketing agreement but no membership fee was charged.

Service associations, including insurance, rural electrification, and frozen-food lockers (all except credit associations) were on a membership basis. In the case of credit associations, both for production and long-term loans, the borrower member was required to purchase 5 per cent of the amount of his loan in stock in the loan association. Of the 24 service associations studied, ten were credit organizations; eight, Farm Mutual Insurance Companies; four, rural electric associations; and one, a locker plant.

The total number of members in the 25 service cooperatives studied was 55,624. Of this number, 13,943 were located in the five counties surveyed. The largest membership in the counties studied was in the insurance group with 7,575, while the smallest reported was in the locker association with 360. Wayne County, with 8,260, reported the largest membership in all service associations and Franklin County, the smallest with 532 members.

¹⁰In executing my endorsement I also apply for membership in the Producers Livestock Cooperative Association. It is understood and agreed that membership carries no personal or financial responsibility.

Signed _____

¹¹However, shortly after this study was made the By-laws were changed so that anyone, who is an agricultural producer, patronizing the association becomes a member.

INACTIVE MEMBERS

Cooperatives, as a general rule, have paid little attention to retiring members. To keep membership active is one of their major problems for many become inactive after becoming a member. Some cooperatives have less trouble than others. Many members join a cooperative, then move away or trade elsewhere, and are not retired by the cooperative. No attempt was made to check accurately the membership list against patronage performance. The manager was merely asked to estimate the inactive members in the county.

At the time of the study, the marketing and purchasing associations operating in the five counties stated their membership was 15,413, of which 3 per cent was inactive. This inactivity was not uniform among the different groups. The largest amount of inactivity was found in the grain elevators and the farm supply cooperatives, being 6.0 per cent and 12.3 per cent, respectively. The least inactivity was found among the livestock, dairy, and wool cooperatives, being less than 1 per cent.

It is possible that the managers were too optimistic about the number of inactive members. Other studies (12) have shown that livestock cooperatives have a large patron turnover and there would be no reason to think the cooperatives in this study were different.

No general policy was found among this group of cooperatives with respect to the inactive members, unless it was one of doing nothing about it. Some associations have a requirement that after a certain period, perhaps a year, an inactive member loses his right to vote. Some cooperatives require annual dues and if the inactive member pays the annual dues, he is permitted to participate in the affairs of the association. Most associations, especially the grain elevator cooperatives, just carry the inactive members on their lists.

RETIRING MEMBERS

When cooperatives desire to retire members or members desire to retire from the cooperative, no general procedure was followed. The stock cooperatives usually followed the policy of retiring the member by either buying the stock or trying to sell it to some other patron, thus making him a member. However, some cooperatives (16 per cent) did nothing; thus all the responsibility was put on the member to dispose of his stock.

Cooperatives that did not have capital stock, about half of the number studied, had no provisions for retiring a member but carried him as inactive. Those cooperatives that had certificates of indebtedness retired the certificates and thus ended membership. Some members of the dairy cooperatives were released from their contracts and thus dropped from the organizations. If some failed to pay the annual dues, they were dropped from the membership list after a waiting period. In a few associations, members, who are inactive for a year, are not considered as members and lose their right to vote.

In view of the fact that many of these cooperatives have no agreed policy it would seem wise for the directors to adopt a policy with respect to retiring the inactive member. As a general rule cooperatives should have as members only those who are active.

Cooperatives that continue to carry inactive members face a problem that must be met, sooner or later, because each member has a property interest in the cooperative and the cooperative law in Ohio recognizes that cooperatives must provide for the property interests of members who have withdrawn or have been expelled from the association.

To maintain a membership of active members a definite procedure should be adopted and followed. More will be said on this point in the concluding section of what the cooperative policy should be.

MEMBERSHIP CONSCIOUSNESS

An analysis of membership schedules in answer to the question "Are you a member of a cooperative?" indicates that this varied widely between different types of cooperatives.

Less than 60 per cent of the member patrons who were listed as livestock members indicated that they belonged to a livestock cooperative, as contrasted to nearly 98 per cent of the elevator members, 95 per cent of Farm Bureau supply, 92 per cent of the dairy, and over 98 per cent of the wool members (table 10).

TABLE 10.—Patrons who are members but did not mention membership in a particular cooperative in five Ohio counties

Type of cooperative	Members mentioning affiliation	Members not mentioning affiliation	Total members	Percentage not mentioning affiliation
	<i>No.</i>	<i>No.</i>	<i>No.</i>	
Livestock.....	126	86	212*	40.5
Dairy.....	57	5	62	8.0
Farm Bureau—supply.....	182	10	192	5.2
Elevator—grain.....	117	3	120	2.5
Wool.....	63	1	64	1.7
Total.....	545	105	650	16.1

*This includes membership of both Dayton and Cincinnati Livestock Producers Associations; one farmer may be a member of both.

With the exceptions of the wool and livestock cooperatives, all the other cooperative members receive tangible evidence of their membership. In the case of the wool association, members are required to sign a marketing contract which makes the patron member-conscious.

Because of the methods followed by livestock associations in making membership possible, many patrons have no tangible evidence of membership in the association.

MEMBERS OF MORE THAN ONE COOPERATIVE

From the facts developed in this study most farmers belong to only one cooperative. The membership lists of the marketing and purchasing cooperatives in the several counties were obtained and then checked to see how many members belonged to more than one cooperative. It was difficult to determine accurately because many people were careless in signing their names, and, unless the name and address were listed in the same way, a person was not considered to belong to more than one organization.

On this basis of analysis, about 82 per cent of the members belonged to only one cooperative, about 14 per cent to two cooperatives, about 3 per cent to three, and less than 1 per cent to four or more. Very few belonged to five or more marketing and purchasing cooperatives (table 11 and figure 2.)

The percentage of members belonging to two or more cooperatives was highest in Preble County (23.6 per cent) and lowest in Franklin (14.7 per cent); Preble also had the highest percentage of members belonging to three or more cooperatives.

PERCENTAGE OF PRODUCERS HOLDING MEMBERSHIP IN ONE OR MORE COOPERATIVES IN FOUR OHIO COUNTIES 1943

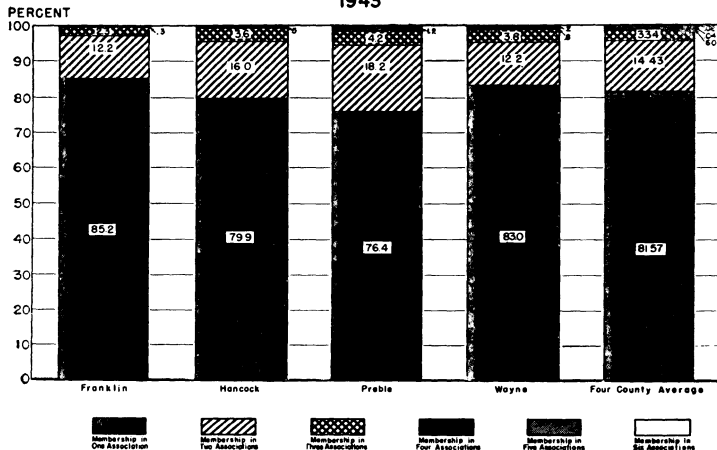


Figure 2

In analyzing these data it should be pointed out that in some counties there were a number of local elevators performing similar services in a limited area and for that reason producers could not be expected to belong to more than one of them. Also, not all farmers produce milk, poultry, and wool for market and, for that reason, cannot be expected to be members of such associations. However, in the counties studied, agriculture is quite diversified and nearly all farmers market some grain or livestock and purchase farm supplies and therefore are potential prospects for more than one cooperative service.

TABLE 11.—Number of farmers with membership in one or more cooperative associations in four Ohio counties*

County	Total members	Farmers who are members of											
		One association		Two associations		Three associations		Four associations		Five associations		Six associations	
		Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Franklin.....	3,143	2,681	85.2	386	12.2	71	2.3	5	0.2	.....	.....	.....	.....
Hancock.....	3,893	3,108	79.9	623	16.0	141	3.6	21	0.5	.....	.....	.....	.....
Preble.....	1,614	1,233	76.4	293	18.2	67	4.2	20	1.2	.....	.....	1	.....
Wayne.....	2,393	1,986	83.0	291	12.2	90	3.8	20	0.8	5	0.2	1	.....
Total.....	11,043	8,008	81.6	1,593	14.4	369	3.3	66	0.6	5	0.04	2	0.02

*All but one association furnished data for this analysis. Data was incomplete for Coshocton County.

Although allowing for some error in the names and addresses, this analysis shows that most farmers are members of only one organization. It would seem that some cooperatives have an opportunity to increase their membership significantly and for the cooperative movement to expand by working closer together on joint membership, Field Service, and advertising programs.

METHODS OF SECURING MEMBERS IN COOPERATIVES

Various plans for bringing members into cooperatives are used. Some have the non-member come to the office and join, some invite him to join, and others employ a device whereby he is made a member through patronage. Of the 241 members answering the question concerning the best method that could be used to secure members 70 per cent and 74 per cent, respectively, thought the two latter plans were the best.

A rather large number of replies favored inviting the non-member to join. This means the cooperative should have a membership campaign at definite periods or designate someone (member or employee) to invite the patron to join. Apparently, this group of members believes that some step should be taken by the cooperative to bring the non-member into membership. When there is some device whereby, through patronage, an eligible non-member is made a member, there is less need for a membership campaign. Slightly more favored this method, as the previous figures indicate.

Members raised objection to putting all the responsibility on the non-member for joining. About 28 per cent said the member should not have to come to the office and join, but some other method should be used.

This, then, points out the fact that members believe that every opportunity should be given to farmers to join cooperatives. They should be invited to join and means should be adopted to make it easy for the patrons who patronize the cooperative to become a member.

DIRECTORS

Directors per association varied in number for the 30 marketing and purchasing associations from 5 to 48. The most common number of directors was 7, since 42 per cent of the associations had that number of directors. Twenty per cent of the associations had 9 and some of the larger associations had much larger directorates. The 30 marketing and purchasing cooperatives had 297 directors, or an average of approximately 10 directors. The 25 service cooperatives reported a total of 134 directors, ranging from 3 to 14—with 5 the most common number. The length of term for directors of the 25 service cooperatives ranged from 1 to 3 years, with 3 years being the most common.

It is largely up to the directors to determine the policies and represent the members in the handling and operation of the organization. The manager and those responsible to him have the job of management and, in turn, are responsible to the board; the directors, however, look to the management for the successful operation of the cooperative. In some cooperatives the directors are not as active in the affairs of the cooperative; in others they are very active. They should probably be a bigger factor than they are with many cooperatives.

Most of the marketing and purchasing associations, 60 per cent, selected their directors for terms for 3 years. Only 13 per cent elected directors for one-year terms, and the balance for 2-year terms. A number of factors must be considered in deciding how long the term should be for directors, but it is generally agreed that it should not be longer than 3 years. The writers have given their viewpoint on this matter in the concluding section.

There was some overlapping of directors; that is, one man may serve on two or more boards of the marketing and purchasing association board at the same time. Only 24 of the 297 directors, or about 8 per cent, served on more

than one board. The greatest overlapping seemed to be in Wayne County, where there were many marketing and purchasing associations. The service cooperatives were not considered in this analysis.

The age of the directors ranged from 32 to 84 years. The average age was 53 years; 9 per cent were over 70; 2 per cent were over 80; and 7 per cent were under 40; 36 per cent were between 40 and 50; 28 per cent were between 50 and 60; and 21 per cent, between 60 and 70. Of 100 directors furnishing information, 43 per cent were under 50 years of age and 30 per cent were over 60 years of age. Some cooperatives have failed to change directors often enough and do not show the distribution of younger and middle aged men among the older ones that other associations have maintained.

The average number of years served as a director by members of this group was 8.5 years, table 12. The shortest period of service was that served by the younger men under 40 years. Their average number of years served was 5.5. The longest period served was in the group over 70 years.

When analyzed by commodities, the directors who have served longest were those affiliated with the wool and elevator groups; those directors who served the shortest periods were in the dairy and Farm Bureau Cooperative Associations, table 12.

TABLE 12.—Age of directors and number of years they have served as directors for the different cooperatives in five Ohio counties

Type of association	Number of directors by age groups						No information	Total number of directors	Average	
	Age 30-40	Age 40-50	Age 50-60	Age 60-70	Age 70-80	Age 80 and over			Age of directors	Number of years served
Livestock	2	9	7	6	1	.....	5	30	51.8	7.4
Elevator	2	8	4	10	1	1	4	30	56.6	11.4
Farm Bureau Coop ..	1	10	9	2	1	.....	2	25	51.0	6.2
Dairy	2	5	6	1	1	.....	5	20	50.2	6.7
Wool .....	.....	2	1	1	3	.....	1	8	62.0	14.8
Poultry .....	.....	2	1	1	.....	1	.....	5	59.4	7.2
Total or average	7	36	28	21	7	2	18	118	53.0	.....
Average number of years served	5.5	6.8	6.9	11.3	14.6	16.0	8.7	8.5	.....	8.5

This discussion brings up the next question, "How long should a director serve?" Only a few of the cooperatives have any limitation on terms of directors. Those that have limited the terms permit directors to serve from 6 to 9 years. When a director has served that long continuously, he becomes ineligible for re-election for a stated period (1, 2, or 3 years). After the period of ineligibility he again may be elected.

In the course of this study cooperative members were asked whether the number of years a director may serve continuously should be limited. Answers were received from 267, and the information was summarized in table 13.

Table 13 shows that farmer members favor the idea of limiting a director's period of service by a large majority. Only 16.1 per cent was definitely opposed to such limitation, while 70.4 per cent was in favor of it. A small group favored the idea with exceptions. As cooperatives get older there is a tendency to keep the same directors. Farmers, as shown by the above analysis, generally do not favor this tendency. The writers will discuss this question in more detail in the concluding section.

TABLE 13.—Should terms of directors be limited?

Reply	Number	Percentage
The years served should be limited	188	70.4
The years served should be limited with exceptions	13	4.9
It depends	23	8.6
No limitation	43	16.1
Total	267	100.0

WHAT ARE THE POSSIBILITIES FOR OPERATING RELATIONSHIPS BETWEEN COOPERATIVES

Some cooperative leaders have held to the view that cooperatives were operating individually and were not working with one another as they should under the urgency of wartime conditions. One of the purposes of this study was to ascertain the present relationships between the cooperatives in the five counties studied. One phase of operation that was selected for study was the use of transportation facilities.

TRANSPORTATION FACILITIES USED BY COOPERATIVES

In order to determine the extent of the use of rail and truck facilities and the type of truck operation used by associations, both in the movement of products from the farm for sale and in the assembling and movement of farm supplies back to the farm, an analysis of the use of transportation facilities was made.

In assembling products from the farm and transporting them to the association for sale practically 100 per cent of the goods came in by truck. Of this volume, nearly 41 per cent was delivered by the patrons themselves; 31 per cent, by commercial truckers; and 28 per cent, by association-owned trucks. The largest proportion of patron-owned trucks was reported in Coshocton, Franklin, and Hancock Counties; whereas, the greatest use of commercial trucks was in Coshocton and Wayne Counties. The largest percentage of association-owned trucks was found in Hancock and Preble Counties.

In assembling and delivering farm supplies or goods to the local association, rail facilities were used more extensively than truck, approximately 64 per cent by rail and 36 per cent by truck.

Reasons given for the high percentage of rail movement included shortages of trucks, tires, gasoline, and manpower. The present movement of materials by truck is considerably lower than existed before the war. The greatest movement by truck was reported in Preble County, while the lowest was in Wayne and Franklin Counties. The greatest amount of delivery by rail took place in Wayne and Franklin Counties, and lowest rail movement was in Preble County.

In delivering farm supplies to patrons from local associations, the proportions delivered in association-owned trucks and by patron trucks were about equal, each representing 45 per cent of the total. Private or commercial trucks were used to deliver only 10 per cent of the total. The largest proportion delivered in patrons' trucks took place in Wayne and Hancock Counties; the largest in association-owned trucks was reported in Coshocton; and the

most in commercial trucks, was in Preble County. One association, a livestock cooperative at Cincinnati, makes wide use of commercial truckers in delivering feeder cattle and lambs to farmers.

NUMBER OF ASSOCIATIONS OPERATING TRUCKS AND THEIR METHOD OF OPERATION

Of the 33 associations in the five counties studied, 23, or approximately 70 per cent, reported the operation of trucks in the carrying on of their business. The largest number of associations operating trucks was in Wayne, Hancock, and Franklin Counties.

The most common method of operation was through association ownership. Seventeen, or nearly 74 per cent, of the associations owned their trucks, two owned and leased trucks, two owned and contracted trucks, and only two operated on a straight contract basis.

CLASSIFICATION OF ASSOCIATION-OWNED TRUCKS

Grain, milk, and petroleum trucks were the most common types owned by cooperatives. Of the 130 trucks owned and operated by cooperatives, 46 per cent was used for feed and grain, 28 per cent for milk, and 10 per cent for petroleum. The balance handled livestock and eggs, or were of the coal pick-up and dump-bed types.

CLASSIFICATION OF LEASED OR CONTRACT TRUCKS

Leased or contract trucks were largely operated in conjunction with milk and dairy associations. Of the 104 trucks operated under lease or contract, 96, or over 92 per cent, were used for transporting milk—largely in Wayne and Preble Counties. Grain, feed, and petroleum accounted for the balance of the products hauled and these were used largely by elevator and feed associations in Hancock County.

CONDITION OF TRUCKS AND TRANSPORTATION IN AREA

An analysis of the information supplied by associations in the five-county area on trucking and transportation indicates that:

- (1) Ninety per cent of association-owned trucks was reported as capable of performing satisfactory service for periods of 12 months or more after December, 1943.
- (2) The general condition of all trucks in the communities covered was reported to be fair to good, with only a small number reported critical.

In spite of the reasonably satisfactory condition of trucks in December 1943, 25 of the 30 associations either had some difficulty already or expected truck transportation difficulties in 1944. Among the significant difficulties mentioned were shortage of tires, shortage of repairs, scarcity of drivers, and inability to hire trucks or to purchase new trucks.

PRINCIPAL MARKET DESTINATIONS OF COMMODITIES MARKETED BY ASSOCIATIONS AND PRINCIPAL SOURCES OF SUPPLY OF FARM PURCHASING ASSOCIATIONS

To ascertain the possibilities for increased joint utilization of trucks by marketing and purchasing associations located in the same town or county, an analysis of the destinations utilized by marketing associations and of the source of farm supplies was made.

It was found that in Ohio the cities of Cleveland, Columbus, Youngstown, Toledo, Cincinnati, Dayton, Fostoria, Marion, Wooster, and Orrville and that Pittsburgh and Detroit outside the State were the most important centers.

Of the five counties surveyed, Hancock showed the greatest use of the same cities for both marketing and purchasing. The cities of Cleveland, Toledo, Fostoria, Columbus, Marion, and Sandusky were all patronized by both marketing and purchasing groups in the county. Such a situation appears to offer definite possibilities for joint action on the part of the marketing and purchasing associations in Hancock County.

Other counties, for some reason or other, failed to show the same degree of joint usage of markets. Wayne County cooperatives used Cleveland and Akron for both buying and selling. Preble used Cincinnati and Cleveland, Franklin used Columbus and Cincinnati, while Coshocton County's only joint market was Columbus.

It should be pointed out, however, that due to wartime restrictions in the use of trucks, tires, gas, repairs, and labor, a number of associations have shifted from trucks to railroads and, by so doing, have changed their normal source of purchase. Others, due to shortage of feed, seed, protein concentrate, and other items, have transferred their business to points further away from home in order to get supplies. Because of these reasons, the possibilities of joint transport usage probably appear less than would be the case under normal conditions.

On a commodity basis from these five counties, livestock moved to 18 points, dairy to 9, poultry to 6, grain 4, potatoes 3, and wool only 1.

JOINT COOPERATIVE ACTIVITIES WITH OTHER ASSOCIATIONS

Only about 14 per cent of the associations reported any joint operating relationships with other cooperatives. Among the most important of the activities reported were in the holding of educational meetings, legislative activities, joint auditing, and legal services. A few associations also reported the holding of joint picnics and banquets and of joint advertising programs. Very few indicated any joint use of truck, plant, or office facilities or of personnel. Some farm supply trucks delivered wool to the wool warehouse and hauled back farm supplies.

The greatest number of joint cooperative efforts were reported from cooperatives in Wayne County. They consisted largely of holding of joint educational meetings and of some joint trucking by livestock trucks operating in and out of Cleveland and Columbus areas. Some joint advertising was carried on by livestock, farm supply, Farm Bureau, and Grange associations.

Cooperation between cooperatives in the several localities or counties was, on the whole, very limited. In discussing this matter, however, with managers and directors and in analyzing the survey schedules, a number of suggestions were offered as a means of building up closer working relationships among cooperatives. Among these were:

(a) The organization of rather informal cooperative clubs whose membership would be made up of directors, managers, and key employees of all the cooperatives in the community and in the county. Such clubs could meet several times a year and discuss common problems, exchange information, and become better acquainted with each other.

(b) The development of a cooperative trading center where the various cooperative enterprises and activities could be located close together was another suggestion offered. That there is merit in this type of development is evidenced by the fact that in some other states large cooperative groups are encouraging and experimenting with just such trading-center activities.

One of the best illustrations of how this might work is furnished at Wooster, Ohio, where the Wooster Egg Auction constructed their new plant across the street from the Wooster Cooperative Equity Elevator. As a result of the new Egg Auction, the business of the Grain Cooperative showed a substantial increase, due largely to the convenience of close location of these two cooperatives.

(c) The carrying on of a joint advertising, educational, promotional, and field-service program to sell the cooperative idea was another means suggested. This might not work with all cooperatives but should with many of them.

(d) While not much attention has been given to the possibilities of joint use of truck transportation, even under wartime shortages and restrictions that limit operations, there appear to be some definite savings, as well as possibility for improved service in such arrangements.

The operation of an efficient truck transportation system by cooperatives should assist them greatly in holding and building up volume and in reducing competition from speculative and irresponsible trader truckers.

MEMBERS' ATTITUDES TOWARD COOPERATION IN FIVE OHIO COUNTIES

Progress in cooperative development and expansion depends largely upon the interest and support of members. For that reason, one of the objectives of this survey was to obtain a cross section of what members think of the services rendered by their cooperatives and of their ideas for improved and expanded services after the war.

ARE THE FARMERS SATISFIED WITH THE SERVICE OF THE COOPERATIVES?

Since only 5 per cent of the directors and patrons failed to say what they thought of their cooperatives, it is rather significant that 74.5 per cent of the 290 patrons and 73.9 per cent of the 88 directors were entirely satisfied. On the other hand, 6.5 per cent of the patrons and 4.5 per cent of the directors were dissatisfied and another 13.8 per cent of the patrons and 15.9 per cent of the directors were only partly satisfied. Adding the last two groups together, 20.3 per cent of the patrons and 20.4 per cent of the directors had some dissatisfaction with the service of the cooperatives. It was from this 20 per cent who were not entirely satisfied that suggestions for improvement were obtained.

One might have suspected that, since the directors are responsible for policy and should be more familiar with the problems of the cooperatives, they would have evidenced less dissatisfaction than the patrons, but this was not the case. The directors apparently were analyzing the cooperatives more as patrons than as directors.

The principal points of dissatisfaction are listed here in the order in which they were most often mentioned:

1. Cooperative too far away from the farm.
2. Improved service and more points of operation needed.
3. Dissatisfied with management.
4. Line of merchandise handled too limited.
5. Dissatisfied with prices received for grain and livestock.
6. Have not enough room—should enlarge facilities.
7. Employees indifferent, more efficient help needed.
8. Out of supplies too often.
9. Cooperative being undersold by competition, or cooperative's prices too high.
10. Educational program not good enough.
11. Other dissatisfactions: undesirable grain tests, should have better quality seed, poor or little service for machinery, or have not been asked to join.

In looking over these reasons for dissatisfaction, cooperative leaders may find why patrons think as they do. Some of these patrons will continue to patronize the cooperative but, as the dissatisfaction continues, they may become discouraged and decide to patronize some competitor.

It is well, therefore, for the management especially to keep these complaints in mind in order to reduce dissatisfaction to a minimum. To move up the ladder of satisfaction should be the goal of cooperative management.

TABLE 14.—Percentage of satisfied members of cooperatives by commodities, in the five counties, 1943

Type of cooperative	Number of members	Number of satisfied members	Percentage of total satisfied
Dairy.....	94	86	91.5
Wool.....	93	82	88.1
Livestock.....	194	169	87.1
Elevator.....	168	140	83.3
Eggs and poultry.....	68	54	79.4
Farm Bureau Supply.....	246	189	76.8

To answer the question that might next be logically raised, "What cooperatives are best satisfying their members?" table 14 is presented. Of course the validity of answers to such a question depends largely upon the representativeness of the sample, but those who returned the schedules are believed to be a fair sample and their attitudes seem worthy of consideration.

This shows that members are better satisfied with dairy and wool cooperatives and less satisfied with the Farm Bureau supply and the egg and poultry cooperatives. In view of this attitude, the 10 points of dissatisfaction are still more significant.

SUGGESTIONS FOR IMPROVING SERVICE OF COOPERATIVES IN MEMBERS' COMMUNITIES

In seeking to learn of the satisfaction or dissatisfaction of members, we also asked how the member would improve the present services of the cooperatives. On this point 35 directors and 165 patrons offered no suggestions. On

the other hand, 53 directors and 125 members did make suggestions. These suggestions apply to certain specific cooperatives and not to all under consideration. This should be kept in mind by the reader. These are given in order of importance.

1. Establish more local branches.
2. Increase membership.
3. Expand and improve services, especially machinery repairing.
4. Enlarge facilities.
5. Get better management and employ better business methods.
6. Have more cooperation between cooperatives.
7. Get better understanding of present services offered.
8. Expand into other fields of endeavor.
9. Get larger volume of business and reduce prices as a result of this increased volume.
10. Cooperatives should have more protein feeds.
11. Secure better trained personnel.
12. Should have more field men and more personal contact with members.
13. Treat all members fair and alike.
14. Have larger working capital.
15. Pay larger patronage dividends.
16. Avoid overlapping of territory—prevent cooperative competition.
17. Other suggestions: adhere to business principles, get into cooperative trucking, install locker plants, operate grain dryers, have customers pool orders, improve livestock unloading docks, carry standard brands of merchandise, and have portable feed grinders.

These suggestions show that farmers are thinking about what is needed to be done by the cooperatives. Some are the result of the war-time conditions, but many are important constructive suggestions which should have the consideration of progressive management.

IMPROVING JOINT RELATIONSHIPS BETWEEN COOPERATIVES

Many cooperatives in areas as large as counties have little to do with one another. In fact the relationship between some of them is no different than between competitors. This fact is of concern to many individual members and farmers. They feel that cooperation means working together, but too often they see the opposite and wonder why cooperatives can not work better with one another.

Nearly 60 per cent of the members and directors answering the question believed that relationships among cooperatives could be improved, 20 per cent did not think so, and another 20 per cent did not know. When it came to indicating means of improvement, answers almost as varied as the number of men themselves were given.

Below are the suggestions in order of importance. Many were so varied that it was difficult to group them. Some that were grouped lost their individual meaning.

1. Cooperatives should be more helpful to one another, less competitive, less selfish, and have less duplication of services.
2. Associations should combine purchasing activities and pooling of orders; they should have closer business association and, thus, have greater purchasing power, which should mean greater savings to all farmers.
3. Cooperatives should work together but not encroach on one another's fields—avoid overlapping.
4. Have central meetings of all cooperative members and discuss common problems or have an organization of all cooperatives (such as the implement dealers) and get better understanding and publicity.
5. Employ cooperative-minded people and avoid hiring employees from neighboring cooperatives.
6. Consolidate cooperatives that tend to compete with one another.
7. Other suggestions—such as publicity, field service, trucking assistance, dividing of car loads, and spreading educational material—were made.

While some said that no improvement could be accomplished and that cooperative relations were satisfactory, these suggestions seem to indicate possibilities for improving cooperative relationships. The writers' own views and suggestions are given in a later section of this report.

DISTRIBUTION OF SAVINGS

One of the characteristics distinguishing cooperatives from other corporations is the method used in the distribution of savings. Therefore, we should examine the attitude of the individual members with respect to their thinking on this subject.

Many differ on the methods of distribution but not on the fundamental principles.

To facilitate analysis, three sets of financial conditions are examined: (a) if the cooperative is in debt; (b) if the cooperative is out of debt; and (c) if the cooperative wishes to expand during the next 2 to 5 years.

If the cooperative is in debt, members and directors largely agreed that all savings should be retained for the retirement of the debt, table 15.

TABLE 15.—Attitudes of 88 directors and 290 patrons on distribution of savings when cooperative is in debt

Suggested distribution	Directors	Patrons	Total
	<i>No.</i>	<i>No.</i>	<i>No.</i>
1. Retain all savings for payment of debt.....	33	107	140
2. Pay patronage dividends by stock certificate or certificates of ownership.....	13	45	58
3. Retain part for future development and pay balance in cash.....	9	20	29
4. Pay all in cash.....	2	6	8
5. Retain all in reserves.....	.....	6	6
6. Pay interest on stock certificates and apply rest on debt.....	.....	6	6
7. Others—retain part and issue the rest in stock; issue bonds redeemable for cash or merchandise.....	.....	7	7
Number of replies.....	57	197	254
No reply.....	31	93	124
Total.....	88	290	378

Of these answering the question about 85 per cent favored retiring the debt. This, of course, can be done in several ways. Probably the fairest way is to declare a patronage dividend. If the cooperative is a stock cooperative, issue the dividend either in common or preferred stock; if it is a non-stock cooperative, then issue the dividend either in certificates of interest, equity, or ownership. The percentage of directors and patrons answering this question was about the same, showing that the thinking of directors and patrons differed little.

Apparently some did not understand the question or did not get their answers in the correct location. It is difficult to understand how a cooperative would get out of debt if all the savings were paid in cash.

Now let us examine what the directors and patrons think of distributing savings when the cooperative is out of debt, table 16.

TABLE 16.—Attitudes of 88 directors and 290 patrons on distribution of savings when cooperative is out of debt

Suggested distribution	Directors	Patrons	Total
	No.	No.	No.
1. Retain part for future development and pay rest in cash...	27	90	117
2. Pay out dividends in stock certificates or certificates of ownership.....	14	41	55
3. Retain all for payment of debts.....	11	34	45
4. Retain all for future development.....	1	14	15
5. Pay limited interest on capital and rest in patronage dividends.....	7	4	11
Number of replies.....	60	183	243
No reply.....	28	107	135
Total.....	88	290	378

Nearly 50 per cent of those answering favored retaining some savings for future development and paying the rest of the savings in cash. About 23 per cent would pay out dividends in stock certificates or certificates of ownership. Obviously, most of these patrons and directors are interested in the future growth and development of cooperatives rather than the savings that can be refunded currently to the member.

After observing all of the answers it is evident that directors and patrons favored making their cooperatives strong financially so that they may expand during the coming years.

The answers to the last set of conditions—namely, how to distribute savings when the cooperative is out of debt and desires to expand during the next 2 to 5 years—is given in table 17 and the following paragraphs.

By far the largest percentage (about 60 per cent) of those answering the question favored retaining part of the savings for future development and paying the remainder in cash. A smaller group (about 30 per cent) would retain all the savings in the association for expansion. Thus, the directors and patrons favor the retention by the cooperative of a large part of the savings if the cooperative wishes to expand.

After looking over these answers and allowing for those who misunderstood the question, we conclude that most farmers who are members of cooperatives are thinking in terms of expanding the cooperative movement, particularly from the standpoint of conserving the savings. This, no doubt, is wise

as long as the cooperative adopts a policy of fairness in distributing the ownership of these savings and does not let them increase in a general reserve and then, perhaps, have a fire destroy their records and thus lose the basis of ownership. Cooperatives must keep this in mind. More will be said about it later.

TABLE 17.—Attitudes of 88 directors and 290 patrons on distribution of savings when cooperative is out of debt and desires to expand

Suggested distribution	Directors	Patrons	Total
	<i>No.</i>	<i>No.</i>	<i>No.</i>
1. Retain part for future development and pay balance in cash.....	32	98	130
2. Retain all for future expansion in reserves.....	12	35	47
3. Pay out dividends in stock certificates or certificates of ownership.....	4	17	21
4. Retain all for payments of debts.....	.....	10	10
5. Pay all in cash.....	.....	6	6
6. Pay limited dividends and retain remainder for expansion.....	1	2	3
7. Pay patronage dividends in cash and remainder in stock.....	1	2	3
Number of replies.....	50	170	220
No reply.....	38	120	158
Total.....	88	290	378

Some cooperatives follow the policy of paying no interest on invested capital but distribute all savings on a patronage basis. In this study, 95 per cent of the patrons and 70 per cent of the directors disagreed with that policy. They believe that limited interest should be paid on invested capital and the remainder should then be paid in patronage dividends.

Most of the non-stock cooperatives, the so-called membership cooperatives, do not pay any interest on invested capital but pay only patronage dividends. Thus, the farmers and directors who answered this question disagree with that policy. However, the cooperatives with capital stock generally pay interest on their stock at the rate of 4, 5, or 6 per cent. This group often has trouble in retiring the inactive, non-patronizing members. Especially is this the case with the farmer elevators. Many of them are paying 6 per cent on their outstanding stock, with the result that some have older stockholders who have moved out of the state but continue to hold the stock because they consider stock paying 6 per cent a good investment. Inactive members in a cooperative are not desirable and payment of interest on invested capital tends to make inactive members hold on to their investments in cooperatives.

Another question in the distribution of savings that always causes an argument is whether a cooperative should pay patronage refunds to members only or to members and those non-members who trade with the cooperative but have not taken out membership. Usually in the latter case, the patronage dividend will not be paid in cash to the non-member but will be credited toward the amount necessary to become a member. Thus, by trading with the cooperative, the non-member is made a member.

It is interesting to note that of those answering the question slightly less than 20 per cent of the directors and 38 per cent of the members thought patronage dividends should be paid to members only. This, it would seem, shows that most farmers prefer to enlarge the membership in the cooperatives by having patronage dividends declared to the non-members who are eligible for membership. It also shows that most farmers are interested in expanding cooperation beyond its present development.

*DEVELOPMENTS OR NEW LINES OF ATTACK FOR
COOPERATIVES SUGGESTED BY MEMBERS*

A wide variety of answers were received from 180 patrons and directors to this question. The suggestions most frequently offered are listed as follows:

1. Move into processing and manufacturing fields, such as meat packing, soybean oil milling, canning, oil refining, farm machinery, and seed testing and cleaning.
2. Organize and operate new cooperative services such as group hospitalization, group medicine and veterinary services, soil testing, banking and burial associations.
3. Develop and push a more aggressive and comprehensive educational program.
4. Put in branches.
5. Improve services.
6. Handle surplus milk more advantageously.
7. Increase membership.
8. Develop more cooperation among cooperatives.
9. Cut down overhead—sell for less.
10. Assemble, analyze, and distribute to producers reliable and interesting news items and facts on marketing.
11. Employ more field representatives.
12. Sell products direct from producers to consumers.
13. Set up council groups to discuss problems.
14. Do away with dividends and lower prices or charges.
15. Cooperatives should unite into fewer organizations—for example, The Grange League Federation.
16. Improve salesmanship of employees.
17. Expand truck and transportation services.
18. Help break monopolies in large industries.
19. Establish sufficient credit service to carry on business satisfactorily.

*WHAT SHOULD THE COOPERATIVES NOW PLAN TO DO TO HELP
THE FARMER IN HIS PROBLEMS FOLLOWING THE WAR?*

The most important suggestions received in order of their importance to patrons were:

1. Plan to expand services and distribution points.
2. Help to control the price of farm products.
3. Build up reserve funds.
4. Expand the educational program.
5. Develop satisfactory markets for products.
6. Become more cooperative.
7. Sell to farmers on a cash basis and thus help him to get out of debt.
8. Extend credit to farmers.
9. Help in securing farm loans.
10. Get better acquainted with the problems of farmers.

These suggestions indicate that farmers are counting on their cooperatives to extend their services further after the war. In some commodities this means processing and merchandising. They also desire their cooperatives to expand their educational program to get better acquainted with farmers' problems. There appeared to be some difference of opinion on the merits of extending credit to farmers by cooperatives, but a sizable number expressed themselves as desiring their cooperatives to build up substantial reserves. The need for more satisfactory markets for farm products was stressed.

*IS THERE A NEED FOR ADDITIONAL COOPERATIVES
IN YOUR COMMUNITY?*

The replies to this question and the suggestions offered were quite similar to those relating to new lines of attack after the war. Among the most frequently mentioned were:

1. Poultry and egg marketing cooperatives.
2. Machinery repair service.
3. Dairy and milk cooperatives.
4. Additional elevator service.
5. More Farm Bureau service units.
6. Meat processing and packing plants.
7. Locker plant and cold storage.
8. Artificial insemination associations for dairy cattle breeding.
9. Fruit and vegetable marketing associations and custom canning plants.
10. Food stores or supermarket cooperatives.
11. Lumber yards.
12. Telephone service.

**SOME CONCLUSIONS OF THE STUDY AND SUGGESTIONS
FOR IMPROVING COOPERATIVES**

Cooperative organizations at the present time more than ever before need to study and analyze their structure, operations, and policies. Cooperatives have passed through the beginning stage and are now commencing to mature. Questions are being raised about them—some good, some bad, some favoring, some opposing. Therefore, it seems to the writers that the time is now at hand when the cooperative leaders should make a real, searching analysis of their respective organizations.

Hence, after analyzing the material collected and other information at their disposal, as well as talking with a number of the managers and others in the five counties, the writers have set forth in the following paragraphs their conclusions and suggestions for the benefit of the cooperative movement.

1. **Admitting new members.**—It should not be difficult to become a member of a cooperative, and non-members should be encouraged to join. The members themselves are in favor of having some device whereby the non-member who trades with the cooperative is made a member. This can be done by applying the patronage dividends toward the share of stock, a membership fee, or whatever else may be the requirement. When an association uses capital stock, it should be of small units, probably \$5, \$10, or \$20 per share.

As was brought out by this study, 40 per cent of the capital stock associations had shares of \$50 or \$100 per share, only 25 per cent had \$10 shares. One step that cooperatives should take is to reduce the par value of their stock, preferably to \$10 per share. This would make it easier for the eligible non-members to become members.

If the organization needs more capital per member than what one share would furnish the association, it can require 2, 3, 4, 5, or more shares. There is no difference between owning 10 shares of \$10 each and one share of \$100, but it is much easier to make a farmer having a low income a member if the stock is \$10 per share than if it is \$100.

The cooperative at certain periods should have a membership campaign and invite the young farmers, tenants, and others who have moved into the area to become members of the cooperative. Insofar as possible, all non-members who are eligible for membership and who patronize the cooperative should be made members of the cooperative. That should be one of the fundamental principles of the cooperative.

2. **Retiring inactive members.**—There was no general policy followed by the cooperatives considered in this study on eliminating the inactive members or the dead wood of the organizations. As a general rule, when a member moves out of the area served by the cooperative or he ceases to do business with the organization, his interest, ownership, or equity in the cooperative should be returned to him and he should not be considered a member. The time of returning the inactive member's investment in the cooperative (whether it be stock, retained savings, or reserves) should be left to the cooperatives. Certainly, the cooperative should protect itself. However, in the case of the death of a member, the cooperative should return his equity or investment¹² in the cooperative within one year.

Not many Ohio cooperatives are on the revolving capital plan. In this study, only the poultry associations were on this basis. The writers suggest this method as the best one yet devised to keep the cooperatives' membership active and to have the members who use it provide the capital.

3. **Distribution of savings.**—The method cooperatives use in distributing their savings is one of their important differences from private and other corporate enterprises. It is the conviction of the writers that savings should be distributed according to the broad principles of cooperation and sound business procedure. Generally savings accrue as a result of patronage; that is, if one patron does \$100 of business and another \$500, or if one patron delivers 50 units of products and another 250 units, then the patron giving the cooperative \$500 of business, or 250 units of products, has contributed five times as much toward the savings as the other patron. This is known as distributing savings based on patronage. It recognizes the fact that the volume furnished by an individual is more important to the association's success than the capital invested and, therefore, savings should be distributed to all patrons contributing the volume of business rather than on a basis of investment.

¹²In the case of non-stock cooperatives, the Ohio Cooperative Law requires a non-stock association to ascertain the property rights and interests of all members who withdraw or who are expelled and to pay them the amount thereof within one year after such expulsion or withdrawal.

Some cooperatives and cooperators hold to the theory that a return of 3, 4, 5, or 6 per cent should be distributed on the capital investment in the association.

After deducting the usual expenses and providing for the necessary reserves, such as depreciation, bad accounts, inventory losses, contingency, etc., the savings remaining are then distributed. Sometimes when the cooperative is a stock company a dividend¹³ of 4 to 6 per cent is declared on the invested capital and the balance of the savings is then distributed as a patronage dividend. If the cooperative is of the nonstock type, usually no dividend on retained capital or savings is declared for all the savings are distributed on the basis of patronage.

It is the conclusion of the writers that no dividend at all should be declared on retained capital. This will help to keep down the number of inactive members. If additional capital is needed and preferred stock or certificates of indebtedness are issued, then a reasonable rate of dividend should be paid, but eventually the stock or certificates should be retired.

Savings can be distributed by patronage in several ways. All may be paid in cash. All may be issued in stock or accumulated toward the purchase of a share if the cooperative is of the stock type. If it is a nonstock association, then the savings may be issued in the form of a certificate (certificate of equity, ownership, or interest), showing the holder is entitled to a definite sum. Where the savings are issued either in stock or in certificates, the savings are not paid out but held in the cooperative. This happens usually when the cooperative is expanding or is in debt. Most of the members furnishing information in this study approve this method, as do the writers. Also, a combination of the above plans, part cash and part in stock or by certificates may be followed.

Some cooperatives, however, merely made allocations to their patrons on their books. The patron receives no statement indicating his share even though the savings were allocated to him by the cooperative. It is the conclusion of the writers that every member should receive a statement annually showing his share of the savings for the current year and all previous years. He then knows what he has contributed to the savings of the cooperative.

If the cooperative is out of debt and has no desire to expand, then a large portion of the savings should be paid out in cash and only enough retained, as already pointed out, to place the cooperative in a strong financial position. When such a position is reached, all savings should be paid out in cash on a patronage basis, or current savings should be retained and the savings for the earliest years should be returned. The latter arrangement is the revolving plan, and is followed by some Ohio cooperatives.

¹³Most cooperative statutes for the states require that no dividend larger than 8 per cent may be made on capital invested and be cooperative. This also is the requirement of the Federal Statute, The Capper-Volstead Act, under which agricultural cooperatives are organized. This is a sort of a compromise position. That is, private corporations generally declare profits based on the number of shares or investment held, while most cooperatives distribute savings based only on patronage.

If the cooperative wishes to expand within the next 5 to 10 years, then a policy should be followed of retaining a portion of the savings (50 per cent, approximately) and of returning the balance to patrons in cash according to methods previously described. When enough savings have been retained so that the expansion can be undertaken with safety, then the cooperative may move in the chosen direction. The point to be remembered is that the savings that are retained are declared to the individual patron in some form so that each member knows his share. Adequate reserves and proper accounting must then be maintained so that each patron's share is protected.

It is the conviction of the writers that savings that have been retained by a cooperative should be revolved or paid back to the member. It would be desirable to revolve these savings every 15 or 20 years, or in shorter time if the financial condition of the cooperative would permit it. This system maintains the cooperative on a basis financed by the members who use it and reduces the interest of the inactive members in the cooperative. This is the sound, cooperative method.

4. **What should be the policy of cooperatives toward cooperative relationships?** While a limited amount of joint action and cooperation was indicated on the part of some cooperatives, it was of minor importance. It seems, then, that here is an opportunity for the cooperatives to expand. Some of the ways by which cooperatives can benefit by joint action, as well as contribute to the whole cooperative program, include:
- (a) Joint educational and advertising programs for a county or area. Through such a program, all members of all the cooperatives in the areas could be reached with interesting and informative material.
 - (b) Exchange of membership lists by cooperatives in some areas and, in some cases, the use of a master list of all cooperative memberships to promote the cooperative movement.
 - (c) Joint field service on the part of some types of cooperatives, such as livestock, wool, and possibly poultry, should reduce costs and give more effective results.
 - (d) Joint advertising of each other's services through displays in offices and plants and through distribution of informative material through the mail.

For example, a cooperative handling feed might find it desirable to work closely with livestock and poultry associations that are purchasing feeder cattle, lambs, and supplying baby chicks for their patrons.

- (e) Joint truck transportation on the part of farm supply, elevator, livestock, wool, and, possibly poultry associations where livestock is assembled and transported to market and farm supplies are hauled back. Such a system has operated successfully for years in Minnesota, Wisconsin, and in North Dakota sections tributary to St. Paul, West Fargo, and Milwaukee markets and to a limited extent in the Cleveland trade area.

While such a program may not work successfully in all localities and among all types of cooperatives there are real possibilities in this field. If cooperatives will pool their interests

and work closely together they can eliminate much of the speculative competition that has been largely responsible for the present highly decentralized and disorganized marketing system for some products.

Furthermore, a reliable, frequent, and efficient cooperative trucking system should be able to handle necessary transportation at lower costs; any excess earnings could be returned to patrons.

- (f) Joint office and personnel at local points. In some communities the office of the elevator or farm supply association might be used to list livestock, poultry, or wool to be assembled and transported to market.

An excellent example of such an arrangement is the manner in which the Ohio Wool Growers' Association uses some 45 local Farm Bureau supply units, local elevators, and local livestock shipping associations to assemble, make advances at time of delivery, and arrange for the transporting of the wool to the Association's warehouse in Columbus.

- (g) Another excellent way of getting the cooperative directors, key employees, and leaders together is through the forming of county cooperative clubs or councils. Not only will these men get better acquainted, but they will learn more about each others services and operating problems. Furthermore, common problems affecting all the cooperatives and the whole movement can be tackled and solved better through joint action.

Representatives of such county groups could be elected to the State Cooperative Council; which, in turn, is represented in the National Council for Farmer Cooperatives.

- (h) Joint facilities and services. At some of the larger market centers, the operation of joint warehouses and selling programs might be desirable.

At the present time, plans are under way in a mid-western state for joint action on the part of a large livestock sales association and a number of local and regional farm supply associations to operate a central warehouse to assemble and distribute feed, seed, fertilizer, tankage, and other farm supplies. This livestock organization plans also to operate a modern poultry processing plant in cooperation with a milk marketing cooperative association. The milk association will be used as an outlet for the frozen eviscerated poultry, and possibly eggs, to individual milk customers and several hundred local retail stores. The two associations—the livestock and the milk—will finance the new poultry processing plant.

For years this successful livestock marketing organization has sponsored and helped to organize over 150 local livestock trucking associations in its trade territory.

These local transportation and assembly units will play an important part in making such an expanded program succeed by picking up, assembling, and transporting both livestock and poultry to market and in hauling back farm supplies to local farm supply associations and farmers.

- (i) Joint picnics, banquets, and social get-togethers all help to build up interest and good will toward the cooperative movement and should be encouraged.
- (j) Other joint activities. Cooperative credit agencies, such as Production Credit Associations or National Farm Loan Associations, should find it advantageous to work with other cooperatives marketing and purchasing farmers' products. Cooperative insurance associations may also benefit from closer working relationships with other cooperatives.

Likewise, the patrons of marketing and purchasing associations benefit from lower insurance and credit costs and it is to the advantage of their cooperatives to keep members informed of these services.

The operation of frozen food locker plants by or in connection with farm supply associations, cooperative creameries, and poultry associations is another example of joint services tied together successfully.

5. **Cooperative trading centers.** While in many localities it may not be practical or feasible to do so, the idea of locating as many of the farm cooperative services and enterprises as possible at or near a central point in town has a number of advantages.

One of the largest and most successful cooperatives in the country, the Grange League Federation of New York, is working toward this end in several local communities.

When the various cooperative activities are located together, there is a natural tendency to work for each other's benefit; furthermore, convenience alone often attracts and originates business.

Such a community cooperative program might have a cooperative trading center where the livestock, grain, poultry, wool, dairy, and fruit and vegetable cooperatives would have their offices, facilities, and warehouses side by side, or at least in the same area along with the farm supply, cooperative credit (National Farm Loan Association, Production Credit Association, or agricultural credit cooperative), cooperative insurance, the Rural Electric, and cooperative retail food markets. A general office building might house the offices of the various associations. All the cooperatives would be benefited by such a development.

6. **Cooperative employees' relations should be close and cordial; that is,** the employees of one cooperative should have friendly relationships to the employees of another cooperative in the same area; whereas at present many are not even acquainted. A county-wide meeting, once a year at least, of all nearby cooperative employees would be helpful. In fact, why not have a cooperative employees' club? Business men have their rotary, advertising, and trade clubs, so why not one for the cooperatives?

If it is good for members to cooperate with one another, then it is likewise good for cooperatives to cooperate with other cooperatives and for managers to cooperate with one another. Does cooperation merely apply to the members or does it also include the employees and managers? To the writers, it includes all.

7. **Cooperatives should study themselves.** It seems to the writers that the cooperative should analyze itself periodically (every 4, 5, or 7 years) by taking an attitude study or a member audit of the organization. The manager and the board of directors should have a committee of thinking, wide-awake members to spend some time with the farmers in their community and find out what the farmers think of the cooperative. It should be an unbiased, impartial analysis to find out what the members are thinking, what the weaknesses of the cooperatives are, and any additional services that are desired. The county extension agents or the marketing specialists of the State Agricultural Experiment Station or the University can give help in formulating questions and schedules for such studies. Some cooperatives might be shocked by their findings, but the Grange League Federation of New York recently made such a study and found it worthwhile.
8. **Membership consciousness should be high in cooperatives.** Every patron should know whether he is or is not a member of a cooperative. Some contact should be made every year with each member. He should receive a letter or a report on the year's activities. This should be an adequate report of what has been done, the financial condition of the cooperative, and a statement of his share of the patronage dividends (if any) for the current year and of the total for all previous years. Likewise, an invitation should be given to attend the annual meeting, and the member should be encouraged to give his suggestions to the cooperative. A large organization should send a printed report to every member. It need not be an elaborate statement, but every member should get one.
9. **Boards of directors.** Cooperatives should choose the best qualified members to serve as directors. They should not be necessarily the best liked men in the community or the best known, but they should be selected for good business judgment, progressive ideas, ability to think, and willingness to state their positions on association problems and questions. Directors may be "good fellows" among their friends but never say anything or express themselves in board meetings. Such individuals don't make good directors. It seems a wise policy to elect a certain number of younger board members every few years rather than to return all the old ones. It is doubtful if any board member should be re-elected year after year.

The cooperative should be kept democratic, and one of the best ways to judge its democratic character is to observe the election of directors. The writers believe that most cooperatives can improve their methods of choosing directors. The method used should be open to all members. At least two candidates should be nominated for each director to be elected and each member eligible to select a director should be permitted to vote by ballot. The writers believe that it is well to have a slate of candidates selected in advance of the annual meeting. This can be done by holding district meetings prior to the annual meeting or by having a nominating committee outside the board of directors or by supplying the members with ballots during a certain stated period. Members should be given an opportunity to nominate by ballot, since many members do not want their neighbors

and friends to know how they expect to vote. In addition, there should be an opportunity for members or delegates in open meeting to nominate a member for director.

The slate of candidates (at least two for each office) should be selected several days or weeks in advance, so that members may vote by ballot. This method should assure the selection of capable directors.

Directors should be elected rather frequently. Certainly a 3-year term is long enough and probably a 1- or 2-year term is more desirable. Members in most cooperatives have little enough to do at annual meetings and if they elect by districts for 3-year terms, then they elect a director only once every 3 years. The argument that 1-year terms might cause the entire board to be changed in any election is rather weak since most boards are not changed often enough. If an entirely new board were elected, would it be admitting that it would be a bad move for a cooperative? In fact, an entirely new board might be better than the old board for some cooperatives. Directors, or any one employee, should not get the notion that they are "indispensable" to an organization. It is the opinion of the writers that 2-year terms are probably about right and where directors are elected by districts there should be two directors chosen for each district, one each year.

Another problem faced by the cooperatives in selecting directors is to have the old directors step down and out of the organization so that younger and more active directors can be elected. Some of the old directors look upon being elected directors as a very great honor and are humiliated if they are not re-elected. They take it as a "personal defeat" for them individually. They overlook the fact that new and younger directors should be brought into the organization so that other communities and areas can be represented and other ideas and thinking can be given to the cooperative. Some unfortunate situations, familiar to the writers, have developed because directors, re-elected year after year, did not have the wise judgment to know that their usefulness was over.

To overcome this weakness some cooperatives have a plan to rotate directors. Members covered by the study approved this plan, (so do the writers) which, briefly, provides in the by-laws for a period of ineligibility after a director has served continuously for a stated period of 8 or 9 years. If, for example, the cooperative has a 9-year rule and a 3-year term, a director could be re-elected and serve continuously for 9 years. He would then be ineligible for a period of probably 2 or 3 years. After the period of ineligibility he could then serve again as director.

If more cooperatives had this plan in operation, many problems would be eased for them. More new facts and fresh thinking would be brought in and some unfortunate situations would never arise.

Some may say that a good director no longer serving is lost to the board. This is not true. If the man is outstanding and exceptional in ability and the cooperative needs him, he could be employed regularly or on a part-time basis as a business advisor or consultant. This is being done by some cooperatives now. Cooperatives definitely need to develop better leadership and to bring in new directors.

Directors should determine the policies of the cooperative, with the advice of management. Directors should leave operation and management to the manager. If directors are not satisfied with the management, they should get a new manager.

Cooperatives should be very cautious about employing relatives of directors. Some cooperatives have a by-law that, when a relative is employed, the director should resign and be ineligible to serve as a director. Employee morale can and has been undermined when directors' relatives were employed by the organization. A director should not be an employee. If a director is so employed he should resign. Cooperatives should be free from such criticism and should have a by-law covering such situations.

10. **Election of officers, the writers believe, needs some modernizing.** Most officers are elected annually from the board. In such cooperatives, every director should be considered nominated for president, for example. Then the directors should vote by ballot until one receives a majority of all directors. If more than one ballot is needed, the name of the directors receiving the smallest number of votes may be dropped after each ballot until one does receive a majority. The one receiving the next highest number should be vice president, and so on.

For the good of cooperatives the democratic process in the election of directors and officers should be protected. By so doing, the possibility of rule by "clicks" can largely be reduced or eliminated.

11. **The members' position in cooperatives should be improved.** Cooperative leaders frequently do not pay enough attention to expressions from individual members, especially in cooperatives with several thousand or more members. Some method, such as a cooperative publication, perhaps, should be used to keep the members informed. Representation through an advisory council or system of delegates should be helpful; for example, one councilman or delegate for every 100, 200, or 500 members. Such a group should be called together several times during the year to discuss the problems of the cooperative openly and frankly. This would maintain close contact with members and should help the cooperatives.

There is too much tendency in the larger cooperatives for directors and management to feel that they own and should control the association. When that is true, the association has ceased to be a true cooperative and is approaching the category of a private business corporation. Cooperatives must be kept democratic and responsible to their members.

12. When, for various reasons, associations drift away from the principles of true cooperation, the members should know it and they should realize that they will sooner or later relinquish the privileges and advantages they now enjoy as members of cooperatives and, instead, will exchange the responsibilities of cooperatives for those of a regular business corporation. Some cooperatives are already in this classification. It is unfair to the true cooperatives to have such organizations operating under the name of cooperatives and be entitled to the privileges that cooperatives now enjoy without assuming the responsibilities. Most of the essential cooperative principles have been set forth in this study and the writers recommend them for your consideration.

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