

Publications Committee

BULLETIN
OF
THE UNIVERSITY OF TEXAS

NO. 355
SIX TIMES A MONTH

EXTENSION SERIES NO. 60

AUGUST 25, 1914

CO-OPERATION IN
AGRICULTURE, MARKETING,
AND RURAL CREDIT

BY
CHARLES B. AUSTIN
AND
GEORGE S. WEHRWEIN
Division of Public Welfare, Department of Extension



PUBLISHED BY THE UNIVERSITY OF TEXAS
AUSTIN, TEXAS

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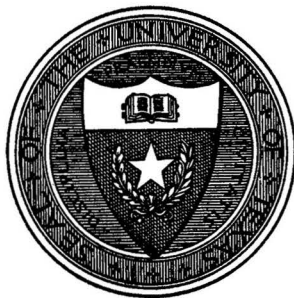
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The benefits of education and of useful knowledge, generally diffused through a community, are essential to the preservation of a free government.

Sam Houston.

Cultivated mind is the guardian genius of democracy. . . . It is the only dictator that freemen acknowledge and the only security that freemen desire.

Mirabeau B. Lamar.

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I. THE DEPARTMENT OF EXTENSION

Purpose. Every university should serve not only its resident student body but also the entire community. This is true in a peculiar sense of a state university; supported as it is by the taxes of all the people, it is under business obligation to render back service to each citizen and to the commonwealth. In a general sense a university fulfills this obligation by sending educated young men and women back into their home communities to carry with them the culture of a broader outlook; the skill acquired through professional training as lawyers, teachers, doctors, nurses, home-makers, business men; and especially the inspiration to unselfish service as citizens that is the intangible and priceless asset of university life.

Taking the University to the People. This indirect contact with the whole people of the State is, however, not sufficient. The constant aim of the President and Regents has been to broaden the scope of the University of Texas with the broadening interests of the State, and to bring its benefits within the reach of as many individuals as possible. In 1898 the Summer Schools were opened and have been maintained each summer since for the convenience of students who are unable to attend the long session, especially for the teachers of the Texas schools whose professional work fills the winter months. As a further step toward making the University directly useful to large numbers of people who are unable to attend the classes of either the long or the summer session, the Department of Extension was established four years ago. This Department has developed rapidly, and its work is now carried forward under seven divisions as follows:

The Division of Public Welfare. It is the purpose of this division to go into the field and investigate the economic and social conditions in the State, with a view of collecting such reliable data as may present a basis for intelligent efforts at improving such conditions. It is hoped that through this Department the citizens of the State may have the advantage of unbiased University experts, who can come to them and advise with them when-

ever they wish to plan any economic and social movement. The time of one or more persons will be devoted to the various problems of rural economy, sanitation, social life, finance, marketing and kindred subjects.

The Division of Public Discussion. This division has for its purpose the encouragement and intelligent direction of public discussion and debate, and athletics both in schools and out of them. Bulletins have been issued giving advice regarding the organization of debating clubs, and furnishing lists of references for reading and preparation for debate on a number of topics. Loan libraries on important subjects, such as prohibition, woman suffrage, initiative and referendum, prison reform, compulsory education, the commission form of city government, municipal ownership of public utilities, and the tariff and free raw material, have been prepared and are being loaned to such clubs and individuals as request them. The University Interscholastic League has been successfully organized, and it is the hope of this division to assist in developing the school as a social center through which the community may become better informed. County organizations belonging to the League hold annually county contests in debating, declamation and athletics. Every school in Texas should be interested in this work, and a League should be organized in each county. Upon request the Constitution of the League, together with bulletins and other information, will be mailed.

The Division of Home Welfare. The division deals specifically with all problems relating to the home, and exists primarily for the benefit of the home-maker and with a view of placing the home on the same intelligent and prosperous basis which characterizes other progressive institutions. Lecturers and demonstrators will attend fairs, county educational rallies, and make a limited number of engagements through the medium of women's organizations to give specific instruction on subjects of vital interest to the home. Bulletins will be issued frequently on matters pertaining to the home and may be had on application to the Department. Questions will gladly be answered at any time on matters pertaining to the welfare of the home. Further information may be obtained by writing to the division.

The Division of Public School Improvement. This division has in charge the various educational exhibits sent out by the University to the fairs and other large gatherings, to call to the attention of the people certain needs of Texas and to point out the most intelligent methods of meeting these needs. These exhibits cover such vital subjects as school buildings and school hygiene, plays and playgrounds, use of schools as social centers, medical inspection of schools and care of the feeble-minded. Information on miscellaneous subjects is furnished through the coöperation of men in the faculty who have expert knowledge in their various fields. Ready-made lectures, accompanied by slides, are sent out to responsible people who are attempting local improvement. Short, practical bulletins have been prepared on many such timely subjects as Wholesome Cooking under Rural Conditions, Beautification of Home and School Grounds. Pamphlets have also been issued on One and Two-Room Rural School Buildings, Three and Four-Room Rural School Buildings, Remodeled Rural School Buildings. These contain full detailed drawings and detailed architect's specifications. As its title indicates, the activities of this division are diversified. The aim of the division is to be useful in the homes and in the schools of the State, and to this end correspondence with communities that desire its coöperation is invited.

The Division of Public Lectures. In the Division of Public Lectures the University undertakes to provide competent, trained, and impartial speakers, chiefly from among its faculty, to present to the people the great questions of the day, and interesting phases of literature, science, and art. It is by no means the purpose of these lectures to be merely amusing; the attempt is made to present in a popular and attractive form a definite amount of reliable instruction. A special bulletin setting forth the available lectures has been prepared and will be sent upon application.

The Division of Child Welfare. The Division of Child Welfare investigates local conditions affecting children, and assists in plans for bettering the conditions affecting childhood. The hygienic and sanitary conditions of schools have been given much study, and through bulletins, letters, and lectures help is given to school

boards in planning new schoolhouses and in remodeling old ones to make them more hygienic. The feeble-minded and delinquents have been studied and assistance given in drafting laws to care better for them. Numerous other studies will be taken up as rapidly as funds are made available. A psychological clinic will next year be established at the University to which abnormal, or atypical, children may be brought for diagnosis. At present the division gives free advice by mail on any matter pertaining to child welfare.

The Division of Correspondence Instruction. Teaching by correspondence has long since passed the experimental stage. While the University recommends resident work when residence is possible, believing that the experience of meeting and mixing with fellow students and the consequent training in real democracy as well as the personal contact with and inspiration from the teachers, is invaluable, yet the authorities of the University also realize that correspondence study offers substantial advantages. In correspondence instruction the teaching is entirely individual; each student, no matter how diffident or how lacking in aggressiveness, comes into individual relation with the instructor in a way impossible in the crowded class-room. He recites the whole of every lesson with a consequent advantage to himself that is obvious. Full opportunity is given to discuss all difficulties in writing, and this written discussion in itself affords valuable training. Further, a correspondence student is not hampered by the usual time regulations; he may take up a study at his convenience without awaiting the fixed date of a college term, and he may push the work to completion as rapidly as he is able to master it. Moreover, correspondence work develops in a marked degree initiative, self-reliance, accuracy, and, above all, perseverance.

INTRODUCTION.

The Division of Public Welfare of the Department of Extension of the University of Texas was established for the purpose of assisting the people of the State in their study and solution of the economic and social problems which confront them. While there might be some question as to what the greatest problems are, there is no doubt that our State is classed as an agricultural State, that the majority of our people are rural people and that the problems of farm life are the problems which confront the most of the people. Viewed in an indirect way, we may say that the problems of the farmer are the problems of all the people. Upon his success depend the vitality, the ability and the progression of the State.

Realizing the importance of a sound and healthy growth and condition of agriculture, the Division has devoted most of its attention to farm life. The work has been grouped around what may be spoken of as the Business Side of Farming. Among the subjects that have received attention are mortgages, tenancy, cost of production, farm book-keeping, coöperation, marketing and rural credit and financial conditions.

During the past year one member of the Division has been a Collaborator with the United States Department of Agriculture, and we gladly note here that much of the material upon which this Bulletin is based has been gathered in coöperation with the Federal authorities.

One writer of this Bulletin represented the University of Texas as a member of the American Commission for the study of European Systems of Agricultural Coöperation and Credit. We possess, therefore, abundance of material, in many different languages, upon what has been done by the European farmer. In the preparation of this Bulletin we have preferred to use our illustrations from what has been done or is being done in our own country. If, however, any of our readers desire further information or the use of any material in our possession it will be furnished for the asking.

Both writers have either farmed or studied the problems of the farm and the market in three different States besides our own,

but here again we have tried to draw our examples from Texas conditions. We must learn that in our own State there are those who are successfully meeting some of the most perplexing problems.

We also acknowledge the coöperation of our own State Department of Agriculture. Commissioner Kone has assisted us in many ways. We believe that the Proceedings of the First Meeting of the Southern States Association of Markets published by his Department should be read by every farmer in the State. We have usually given credit wherever we have used material from the agricultural papers and state press. Without naming any, the Division is glad to thank them all for assistance received. To name the individuals who have coöperated with us is impossible, unless we add another chapter. We are indebted to the thousands who have handled our correspondence and the hundreds who have talked to us or written us. We hope that we may in this manner repay a part of our obligations. We are not trying to send you a formal book but a bulletin in which we have tried to profit you and the man in the other section of the State by putting your opinions and your experience alongside of his. This is the beginning of coöperation.

In these few pages you may again find a part of the message which you have heard from us by word of mouth, for during the past year we have visited fifty-eight different counties and have discussed these questions of Coöperation, Marketing and Rural Credit with more than forty thousand people.

It is not in the preparation of bulletins like this nor in mere discussion and lecture that we expect to best serve the people of Texas. Bulletins and lectures are means to an end. That end is a revival of rural life, by making rural life attractive both socially and financially. It can be made so by coöperation, and we are ready and willing to aid, either by printed page or personal visitation, wherever a community has a coöperative movement under consideration or in the actual process of formation.

CHARLES B. AUSTIN,
GEORGE S. WEHRWEIN.

CHAPTER I

COÖPERATION IN AGRICULTURE

SUCCESS AND FAILURE

The word coöperation as it is generally used means simply getting together to carry out some definite object. In this loose way farmers are said to coöperate if they get together to form an ice-cream club, if they unite to build a new church, or carry on such large business enterprises as the California Citrus Fruit Growers are doing. In order to avoid confusion the term ought to be applied to purely business organizations and then only to those which are organized according to the definitions of a purely coöperative enterprise as defined by law.

Failures in Coöperation

In the United States all farmers' business organizations are usually said to be "coöperative." As a result the hundreds of farmer stores and other organizations that have failed for one reason or another are looked upon as failures in coöperation. Sometimes coöperative business organizations have been made a part of a communistic scheme and, although excellently managed, failed with the scheme with which it was tied up. Somehow the word itself conveys the idea that the business that bears the name "coöperative" is one that is different from the usual enterprise—that it is of a broader and more philanthropic nature. For this reason many unscrupulous business firms have adopted the term and used it either in their titles or their advertising, hoping to attract the farmer or workingman. So today, when the average farmer is approached by some one with coöperation, he recalls the failures, the swindles, and schemes that have been promoted under this name and naturally steers clear of them all.

The high cost of living and the question of better farm business, however, have brought coöperation prominently before the public during the past few years, and today many people think they see in it the panacea for all the economic diseases society is heir to. The city consumer hopes to see the high cost of living

reduced "if farmers would only coöperate." Together with the farmer he complains that there are too many middlemen in the system and wants them eliminated, but the only way to "eliminate" the middleman is for both consumers and producers to take upon themselves the responsibility of the marketing process and perform the middleman's service more efficiently than he is performing it. Some want to go a step further and have the national or state governments take over the whole situation and become the marketing agent and the money lender of the farming class. But for the same reasons the government would have the right to take over manufacturing and transportation as well as distribution. Farmers as a class need to feel that they can stand on their own feet.

The thinking farmer knows that coöperation cannot be such a panacea. Friends of the movement feel that this blind faith is a boomerang to be feared. Many enterprises built on this wave of popular feeling will die and will thus leave true coöperation with more failures than ever to its name. Therefore, the farmer who studies the subject will learn to build better by studying the mistakes and failures of the past; on the other hand, he will not be misled by the phantastic expectations of enthusiasts.

Success in Europe

The widespread interest shown by Americans in coöperation culminated in the trip made by the American Commission to study the organizations of European farmers. Its findings and the evidences have been published as Senate Documents Nos. 214 and 261 and cover a total of about one thousand pages of publications the size of the Congressional Record.

The reader of these publications is impressed with the success of the movement in Europe. It is astonishing to see the extent to which European farmers carry on their business coöperatively. Equally astonishing is the variety of their enterprises. Statistics for 1909* show that Germany had over 22,000 coöperative organizations, of which 15,000 were rural credit societies and over 3700 were creameries. The farmers coöperate in the manufacture of their butter. They purchase their feeds, groceries,

*Taschenbuch für Landwirtschaftliche Genossenschaften, published by the Reichsverband der deutschen landwirt. Genoss. (Darmstadt, 1910.)

machinery, fertilizers and sell their hay, grain, cattle and eggs through their farmers' organizations. They own their warehouses, slaughtering houses and grist mills. They have mutual insurance companies, breeding associations and even potato drying associations. The little farm villages are often supplied with water by coöperative waterworks and lighted by electricity produced by their own electric light plant where some rushing brook can be harnessed. In Belgium the *Maïsson du Peuple* own its bakeries, tailor shops, moving picture houses and drug-stores.

Denmark's chief products—bacon, butter, and eggs—are produced, concentrated and exported by the farmers themselves. England's wonderful stores and Ireland's rapid progress in butter and egg production owe their success to coöperation.

The following table is taken from the second Year Book of International Coöperation (1910) and shows the strength of the movement throughout the world:

International Summaries—Statistics of Coöperative Societies

A. Europe:	No. of Societies	No. of Inhabitants to one Society
Austria	16,563	1,725
Belgium	2,270	3,282
Bulgaria	727	5,551
Denmark	5,033	514
Finland	1,929	1,585
France	10,983	3,573
Germany	30,555	2,124
Hungary	6,000	3,473
Italy	7,564	4,569
Netherlands	2,679	2,184
Norway	3,078	777
Roumania	2,904	2,051
Russia	16,000	5,840
Servia	1,252	2,148
Spain	274	71,909
Sweden	2,100	2,607
Switzerland	7,827	481
United Kingdom	2,500	18,086
Japan	5,149	10,048
United States	500	183,940

In comparing the different countries, interesting facts are brought out. Even little Bulgaria is credited with 727 associations and Japan with 5,149. The United States has only 500. This is due to the fact that the figures for the United States are for 1905 and since then the coöperative societies have made great strides forward. Secondly, the note accompanying the table says that it "has been difficult to obtain information as to the present development of coöperation in North America. The unions at present existing do not compile statistics and the returns with regard to coöperation published by the statistical offices are very incomplete." This accounts for the comparatively low figures for the United States.

In the Year-Book of the Department of Agriculture, for the year 1913, Dr. T. N. Carver, in his article on the "Organization of Rural Interests," lists a total of 1867 farmers' mutual insurance companies, 2165 coöperative creameries, 336 coöperative cheese factories, 2020 coöperative elevators, which alone is a total of 6388. There are hundreds of purchasing societies and marketing organizations, stores, cow-testing associations, and breeders' associations which he does not mention at all. This shows that there are certainly more than 500 coöperative associations in the United States. He adds, however, "The question often arises as to whether these are all strictly coöperative. Undoubtedly many of them are, in form at least, merely joint stock companies, and not coöperative in the strict technical sense. Such a claim, however, is based upon the letter rather than the spirit of the enterprise." (For a discussion of coöperative vs. joint stock enterprises, see later in the chapter.) This table, however, is limited to strictly coöperative societies and, therefore, does not list many of the associations that Carver has enumerated.

Many will dismiss such comparisons with, "O, well, conditions are different over there. Their laws, governments, and customs permit of coöperation, but it won't work in the United States." Some even say that coöperation is suited only to monarchical governments and, if we introduced it here, our own people would be reduced to peasants lorded over by aristocratic landlords. But the principles of coöperation hold true all over the world. If it has been the salvation of the European farmer, it will do much for the United States. There is no use arguing that "conditions

are different." Some so-called "conditions" need changing and uprooting. It is no use plowing around these stumps any longer. We had better blast them out—get rid of them! Some fundamental differences remain and we will plow around these for a while. Coöperation can be adapted to these conditions.

Reasons for Success in Coöperation

It would not be fair to compare Europe with America in the matter of coöperation without saying something about the differences between the two continents.

Permanent Settlers

Europe has been settled for centuries. America is new and our people have not been permanent settlers. Some 22 per cent of our people do not reside in their native state. Thirty-seven per cent of our farmers do not own their farms, but rent them and are here one year and on a different farm, and perhaps in a different county the next year. In Texas 52.6 per cent of our farmers are renters, and the problem is still greater. Teachers tell us that it is not uncommon to have 25 per cent or more of their pupils change during the moving season, and some schools are almost depopulated. It is not uncommon to find that people will not know neighbors living within a mile of their house, even though these people have lived there a year or more. Not knowing each other, people have no interest in their neighbors and how can we expect them to go into business organizations and risk their money in a venture with people they know nothing about?

Many Nationalities of United States

Our people are of many nationalities and it is hard to get people of different habits, traditions and customs to act together. A German citizen of Texas said, "As long as you keep the farmers' organization among Germans it is going to succeed, but as soon as you admit people of other nationalities it is going to fail." This is not because the Germans are so much better adapted to working together, but because different peoples won't "mix."

Prosperity and Extravagance

On the whole, the American people have been unusually prosperous, and this is also true of the farming people. We have had a whole continent thrown open to us with seemingly inexhaustible resources of forest, mineral and agricultural wealth. And up to a few years ago no one thought of "conservation," but only of "development," "exploitation" and "opening up the country." Our governments, state and national, have treated these natural resources in this light and have opened the door to any one who would "develop." Our prosperity has made us feel that we do not need to work together. Mr. Fay, the noted English writer on coöperation, says: "A coöperative society is an association of the weak who get together in order to lift themselves and others out of weakness into strength."¹ When people do not feel that they are weak, they are not likely to feel the need of mutual organization. One farmer from Kendall county writes: "I know of no way you can be of any assistance to the farmer—I mean the progressive farmer. He is on to his job, and gets all he is entitled to." A speaker at the first Conference on Marketing and Farm Credits in Chicago (1913) said: "I have had some experience in organizing coöperative associations, and I remember well talking with one German farmer—he happened to be German—others are largely the same. I drove from farm to farm, to influence five or six men to go into an organization. I tried to explain to this man; I talked hard and earnestly to him, and when I finally thought he was going to become a member, he said to me: 'Well, I made two thousand dollars last year; I think that has been enough.'"²

In Europe things have been different. The land has been farmed for hundreds of years, the population is denser and more settled. The famines and wars have added to this natural economic pressure and people have been forced to coöperate. We had a taste of "hard times" in the seventies, when the overproduction of wheat and corn, combined with the poor transportation facilities, caused such low prices and farmers were brought together in the Grange. Other farmers' organizations had sim-

¹Fay, *Co-operation at Home and Abroad*, p. 3.

²*Marketing and Farm Credits*, p. 89.

ilar origins; all lost in membership and power when prosperity returned.

The American people have not only been prosperous but also extravagant. Mr. Ford in his book "Coöperation in New England" says, "the American people are beyond all comparison, from the richest to the humblest, the most unthrifty and extravagant in the world."¹ Our national extravagance is reflected in our private life; so European national economic thrift has its counterpart in the home life of the people. The European farmer makes a living on ten acres of ground and enjoys conveniences unheard of in many American farm homes. This ideal of thrift is naively expressed in one of the Raiffeisen booklets, published by the Raiffeisen Society:

"Our societies are usually called 'saving and loan bank societies.' The word 'saving' is expressly put at the beginning of the phrase, because, in the industrial war that we are engaged in, the words of Frederick the Great are even more applicable, viz.: 'Warfare demands three things; first, money; secondly, *money*, and, thirdly, *MONEY*.' And money does not drop from the heavens without toil, but it has to be gathered laboriously through thrift and economy. God be praised if the virtue of thrift is found in the village, but if we see that if Gustie has a new hat with a big feather on it, Minna at once goes to buy a still more expensive hat with a still bigger feather; if we notice that 'demon rum' swallows gigantic sums of money because our young fellows have too much money to spend, then it is clear that the virtue of thrift needs to be fostered. But thrift thereby does not become a sister to greed by any means, but it simply follows the footsteps of Him who said 'gather the remaining crumbs.'"²

Manner of Life

Lastly, our history and natural environment have brought about a difference in living conditions. In many European countries the farmers have lived in village communities for hundreds of years, and in mediæval times even the system of agriculture was often prescribed by the group. So the farmers there have been

¹See Introduction, page 10.

²Das Raiffeisen Dorf.

trained in working together. Our farmers have had the opposite experience. We settled as pioneers and as individuals, rarely in groups and each man was for himself. When he could see the smoke of a neighbor's hearth, he moved, for he considered the country too crowded. This developed in him a spirit of independence and self-reliance which perhaps was very commendable in the early days. However, times have changed and we need to adjust ourselves to the new conditions if we expect to get the best out of our lives.

"Independence"

This feeling of independence has been fostered by our traditions. We like the word "independence." Our political orators have harped upon the "independence" of the American people,—and the farmer in particular,—to such a degree that we prefer to lose money and the benefits derived from organization rather than give up our so-called "right to do as we please."

The American farmer, as a class, is alone in this respect. Other classes of society have shed some of their "independence" and work as organizations. The laboring man has formed his labor unions and no longer bargains with his capitalist boss as an individual, but makes his terms through his union. The capitalist has merged individual business interests until we have trusts in every industry. The farmer on the other hand has usually faced the commercial world alone. Of course, we must make exceptions in the case of the Grange, the Alliance, the Wheel and other like societies that have been mighty forces towards uniting the farmers. The Grange, the Farmers' Union and the Society of Equity of today are examples of great movements aiming to unite farmers for social, educational and economic betterment. Nevertheless, it is true that the farmers are more independent and feel the need of organization less than other classes. There is always suspicion of the motives of neighbors that makes it hard to build up a business enterprise. They are afraid of their own powers or fail to see the value of coöperation. An instance is told us by a Texan of McCulloch county. This man's father lived in Massachusetts. He bought a farm in a community where farmers sold chickens at \$1.25 apiece, while milk was sold to collectors at 9 cents a gallon. This gentleman tried to persuade the farmers to

organize and sell their milk. But he could not get them to do so, and as a result, found it unpaofitable to go into the dairy business.

This spirit of independence often shows itself in a lack of business sense or a feeling of obligation to the will of the majority. Some one finds that his plan cannot be carried out, and rather than yield for the good of the group, he breaks up the organization.

A good illustration of this statement comes to us from a county in the eastern edge of the Blackland Belt. "A number of farmers formed an organization to sell their cotton seed. Cotton seed was selling at \$8.00 per ton, and they thought they could do better by pooling their seed—calling in representatives of the various oil mills at a meeting and have them bid on it. It was agreed to sell the seed of the entire organization to the highest bidder. The meeting was held, and a number of agents of the oil mills were present. The bidding was spirited and the price was driven up to fifteen dollars, the secretary was just ready to close the deal when one of the farmers jumped up and said, 'Mr. Secretary, if they can pay fifteen, they can pay sixteen, and unless they raise it to sixteen, you can strike my name off the list.' This started a riot, and other farmers followed his example. A group of them felt that they ought to stay by their agreement to sell to the highest bidder, and they did their best to urge the others to do so. The result was that these finally agreed with the agent to sell their combined lots for fourteen dollars a ton, for the agent said he could not afford to pay fifteen dollars for the very much smaller lot that they had. The others, who refused, failed to make a sale that evening, and the result was that they hauled their seed to the same car at eight dollars, while their friends received fourteen dollars a ton." "Farmers won't stick," is the usual terse way of expressing the whole story. As one man from Wise county writes, "There is no community interest to speak of among farmers. It's every fellow for himself and the devil take the hindmost."

Lack of Community Spirit

The trouble is that farmers very often organize simply for the dollars and cents there may be in it for them individually. That is why an organization of farmers is so easily broken up. As soon

as there is a loss, some lose faith and drop out. They don't realize that every business has its "growing pains" and if members will only "stick together" it is bound to succeed. No one knows these weaknesses better than the middlemen whose business is being injured by the farmers' coöperative concerns. They know that if they undersell the farmers' store for just a little while or pay better prices just long enough they can induce enough farmers to pull away and break up the organization. In the Rio Grande Valley of Texas the truck growers associations were ruined by exactly such methods. Buyers paid more for the produce of the independent producers, and not only that, but paid cash where those who sold through the association had to wait until the returns came in about three weeks or a month after the shipment. Soon the members began to desert, and the association was broken up. After that the dealers had things their own way. Prices soon fell, then they accepted consignment shipments only, and in a little while called on shippers to help pay the freight.¹ A farmer writing from Jefferson county sums up the situation pretty well when he says, "Farmers will not stick together for the dollar in the future if they see a penny in the present." Another farmer expresses his idea of such deserters in the following emphatic way: "Did you know that there are some ten cent men yet, living as there was in days of old, like Esau, who sold his birthright for a mess of pottage? We have a few Esaus in the Farmers' Union, who won't patronize their own institutions, but rather go to one who is fighting us, and who, with a pat on the shoulder, will say, 'I will gin your cotton just as cheap as that Union gin, and I will give you a nice buggy whip and the 'whip-sucker' bites—and he caught a fool.'"²

This lack of true community spirit—perhaps it might be called Christian spirit—is responsible for the many local jealousies and quarrels that have arisen over petty causes of which any community ought to be ashamed. In one county there are two communities in which the farmers established telephone lines, but quarreled about some minor detail and they put in two separate switch boards at both of these places. Now, it is self-evident that the

¹Farm and Ranch, June 6, 1914.

²Farmer's Fireside and Bulletin, March 4, 1914.

more people there are in the telephone system, the more efficient the service will be, but rather than yield a point, they preferred this arrangement.

In the United States the lack of the coöperative spirit is reflected in our attitude towards all community interests. There are certain functions which we have given over to the community. Ever since the Christian church was founded we have worshipped in common. No one ever had a minister come to his house to preach to him individually. We do not bury our dead on our own property, but in a community owned graveyard. We are teaching our children as a community. Our public roads are built by the people as a group. It is easy to see why a man should pay attention to his own business. It is harder for him to give attention to the business of his community. It is a test of his good citizenship to find how he takes care of the community interests. One who travels about the State learns to judge the individuals of a community by the way they keep up its community interests. "What is everybody's business is nobody's business," is an American proverb that explains our attitude towards the public interests.

It is an exceptional community that can go into school improvement, or building a new building, or the employment of a teacher, and have the whole community act as a unit. We have allowed our political ideas to break up our communities; our religious prejudices have done the same. The remedy for this condition lies in education to a large extent—education in a broad sense that will give people a broader view and a more tolerant spirit towards people who do not believe as they do. We must learn to suppress our own wishes and be willing to work with the majority and do as they desire. We must learn to work with our fellow men and when once entered upon an organization stay by it with the same loyalty as a soldier stands by his country.

The Germans, who have made such a success of coöperation through their Raiffeisen Associations, speak of a man who has the true coöperative spirit as a "true Raiffeisen man," and in one of the booklets published by their society they define a true Raiffeisen man as one who stays by his society under all circumstances. "Therefore," they continue, "whoever wants to be a true Raiffeisen man must buy everything he needs in his household from his association, even when it is no cheaper than anywhere

else. Yes, he must buy there when he has to pay a penny more than at some other dealers. Only, then, when we are so disposed that the larger whole stands higher in our estimation than private profit, will we strengthen our Raiffeisen work so that all the hatred and cut-throat competition of the middleman will not hurt us in the least."¹

Coöperation has been born of necessity in Europe and in many cases in the United States. But it need not be so. It is a theory no longer. The success of coöperation in both continents has demonstrated that farmers can do better in organization than as individuals. Let us hope that Texas farmers will see the need of coöperation long before conditions will be such that they shall be *forced* into coöperation. The growth of tenancy, the depletion of soil and greater economic competition are signs pointing in the direction of conditions which shall *force* them to do so.

Need of Better Business

Another reason why farmers' organizations have failed is because there was a lack of business methods. The average American farmer is not a business man. In fact, he has not had the opportunity to learn business methods. His occupation takes him away from men and the channels of trade into his fields where he works with the soil, his crops, and farm animals. His home is right on his farm; he is in close communion with his family and sees other men only as his business carries him away from the farm.

He meets men but once or twice a week where the banker or merchant meets with people every hour of the day. The merchant handles money and commercial paper such as notes, drafts, and checks daily. He has to be a judge of men and character. They who sell to him, buy from him, or deal with him are shrewd, calculating men whose competition he has to meet. Such constant watchfulness sharpens his business sense. It is otherwise with the farmer. As one farmer from Jim Wells county puts it: "The trouble with the producer is that he does not know men, conditions, and markets." The shrewd old, so-called, "pork packer" who wrote "The Letters of a Self-Made Merchant to His

¹Das Raiffeisen Dorf.

Son," says, "When a packer has learned all that there is to learn about quadrupeds (hogs), he knows only one-eighth of his business, the other seven-eighths, and the important seven-eighths, has to do with the study of bipeds" (people).

The self-sufficing farmer of old, if he remains in business, has to become the commercial farmer of the present. "Farming as a business not for a living,—that is the notion of the new farmer. He is a commercialist; a man of the twentieth century. He works as hard as the old farmer did, but in a higher way; he uses his four 'M's,'—Mind, Money, Machinery and Muscles."¹

Briefly, the farmer has not been a business man from three points of view. First, he has not kept books and so does not know what his products cost him, which crops were produced at a loss or gain, or whether his business has resulted in a surplus or deficit at the end of the year. Secondly, little attention has been given to the selling end of his business; he has not studied the demands of the market, the marketing process, or the proper standardization and packing of his products; and lastly his training has made him unappreciative of "brains" in business. He underestimates the services of the middleman or the value of an efficient manager. But the farmer is not so much to blame for all this for even our agricultural schools have afforded very little help in these directions up to a few years ago.

However, this lack of business training is a serious handicap when a group of farmers get together to form a coöperative organization. Here is a community affair—"everybody's business"—and the greatest care must be exercised in the very beginning. Too often farmers undertake enterprises that are too complicated or too large and with their meager business experience, as promoters, they are bound to fail. That is why large state-wide farmers' enterprises are rarely a success. The secret is to begin small and grow with the business.

Farmers often want immediate results. They forget that many a business enterprise was promoted and money was sunk in its upbuilding, or in advertising for several years before the business paid for itself; but this did not discourage the men who went into it; they cheerfully paid up the money, feeling sure that the future

¹Farmers' Fireside and Bulletin, Feb. 11, 1914.

would bring its returns. The manager of the farmers' organizations, on the other hand, is often expected to show returns at once, and the returns must be higher than those received by their neighbors, who are not members of the organization. A letter in the *Farmers' Fireside and Bulletin* of February 11, 1914, expresses the same view: "The impatience of the farmer for the success of this great work, has done much to wreck this work. If they would read, they would find that the success of any business organization waited for years before they accomplished the desired results."

Even if the organization is successfully launched and everything goes well for a year or so, a temporary loss may break up the organization. This is illustrated by an instance in which a number of farmers banded together to form a coöperative live stock shipping association. The first carload of live stock that they shipped brought them a handsome profit and they were bragging throughout the whole community how much better they had done than the would have by selling to the local buyer. A second carload was shipped, however, at a loss and that broke up the organization, and no further community live stock shipping was attempted. These people forgot that the local buyer had made money on some deals and lost it on others, and that if they went into the same kind of business they would have to take the losses as well as the gains.

On the other hand, nothing will teach business methods quicker than coöperation. The members of a coöperative society are forced to keep books in their business because they must protect the individual in his relation to the group. The auditing and other committees are schooled in business methods and all the members are brought in contact with commercial papers and their functions. The experience so gained will be made use of in the farm business itself. The group cannot afford to do business long without paying attention to the selling end of the farm business. The loss from unwise business transactions and poor marketing falls upon the whole group and the efficient manager is welcomed.

One of the fundamentals of business success is to put a first-class article on the market, and herein lies one of the great powers for good of a farmers' organization. Every farmer has a different idea of what a merchantable product is, and of how that

merchantable product should be prepared; the result is that, if there is no organization, a hundred different kinds of packing and packages will be sent out from one station and the prices received will be so much lower. However, if farmers form an organization and adopt a standard of quality and packing, they will not only put a marketable product on the market but also establish a trade name. At Milano we were told that there is a plan on foot to get ten or more people to go into a tomato growers' association. It is proposed to take the products of these ten members and have such strict rules that only the first-class products will be handled. A brand is to be established and put upon each package, and this brand will guarantee that the goods are up to standard. By such means, it is hoped that whenever people see the Milano brand, they can rest assured that they will get only first-class produce. A name will be established for this brand and higher prices and a good business expected.

TYPES OF FARMERS' ORGANIZATIONS

Coöperative Buying

One of the simplest forms of coöperation is the purchasing society where a group of people get together to buy fertilizer, lumber, groceries, or any other necessity in wholesale or carload lots. The local merchant is often in a position to make very reasonable terms to such a group if they buy in bulk and pay cash. In these cases the organization selects a secretary or manager to handle the goods and attend to the business. Such a transaction is not too complicated for any organization and with growth in business experience can enlarge its activities. Here are a few Texas examples: "We ordered cotton bagging as an association, thereby saving \$150 to \$200 on the car. We also ordered lumber by the carload, and saved also at least \$200 on the car. We ordered seed potatoes. It is our intention to build a warehouse here as an association, and buy and sell everything together and we think to do at least twenty-five per cent better."

"I have had experience once in buying corn coöperatively for the Farmers' Union. Farmers of Burnett county bought direct from farmers in Oklahoma."¹

¹Farmers' Fireside and Bulletin, December 10, 1913; February 18, 1914.

Many of the Farmers' Union locals have purchased coal, flour, corn, and feed.

Meat Clubs

Fresh meat is a luxury on the farm, especially in summer, yet by coöperation it is possible to have it with but little expense. At one place a farmers' club induced a butcher in a neighboring town to make the rounds of the club members once a week. In Douglas county, Minnesota, is a meat club which has been in existence for over twenty-two years without the least bit of trouble among its members. Every week one of the members butchers a beef about one or two years old. Friday is "butchering day" and the owner kills, dresses and cuts up the animal during the day. At night the neighbors gather at his house for a social evening and take their share of the meat home with them.²

At Topsy, Texas, there is a successful meat club of this type. The farmers own a coöperative slaughtering house and have hired an expert butcher to kill the animals. He is paid three dollars for killing, keeps the records for the club, and decides whether the animals furnished are in proper condition to make good meat.

The record is kept on a large sheet posted in the slaughter house and includes the names of the members, the amount of meat taken by each member, and the amount furnished by the animal that the member brought. At the end of the year if a member has used more meat than he furnished to the club he pays ten cents a pound for the excess. The good and poor cuts are divided up equally among the members so that every one gets the same proportion of each. Mr. W. D. Lewis, who told us of this club, said there has not been a ripple of discontent. One year a widow was unable to furnish a beef, but the members gladly furnished her meat free and all were satisfied.

One farm demonstrator has advocated the building of a community ice plant so farmers could store their perishable foods. A coöperative creamery could easily add this feature to its already existing plant.

²Supplement to Rural School Agriculture (University of Minnesota), November, 1913.

Telephones

Rural telephones are spreading over the whole State. As an example, one farmer writes, "We have a 'phone system. There are about eighteen rural lines now, with the town well connected up also. We believe in coöperation; the different towns near us have taken the telephone fever and are going to connect with us soon. The Oberin and Weinert people are building 'phone systems. We are expecting Rule and Knox City to build soon and connect with us."¹

Farmers' Mutual Fire Insurance Companies

The thirty-eighth annual report of the Commissioner of Insurance and Banking of Texas, for the year ending August 31, 1913, lists twenty-five farmers' mutual insurance companies in Texas. Twenty-three of these make reports of their business. The report shows that during the year 1912, \$2,676,087.72 of insurance was in force, and they paid losses totaling \$62,133.59. The same report shows that there are sixteen local mutual aid associations whose business is confined to one county or to a territory within twenty-five miles of the home office. These also could be classed as coöperative associations, although some of them may not be agricultural.

Doctor

At the Mercy Farmers' Union Local they have a unique institution in having a community paid doctor. One hundred people have agreed to pay him \$12 a year, or \$1.00 per month each, but he has the privilege of practicing on the outside all that he cares. The people say they are well pleased with this plan on which they have employed him.¹

Coöperation in Dairy Industry

Dairying is a coming industry in Texas and it is one that is in need of coöperation among the farmers interested. In the first place, a silo is desirable, if not necessary, to provide the feed for

¹Farmers' Fireside and Bulletin, November 18, 1913.

the cows. A Buna man told us that he would like to put in a silo but could not afford to own the necessary machinery. "If I could get two or three of my neighbors to build silos, we could afford to buy the machinery together," he said. This is not only true in this case but wherever farming operations demand a large, expensive piece of machinery.

If enough farmers are in the dairy business and a local creamery is not advisable, cream shipping associations may be organized to haul the cream of the association coöperatively, as the farmers of New Mexico have done. In one community they live thirty-five miles from the railroad and take turns in taking the cream to the station.

Where the amount of milk produced is sufficient that a creamery would be desirable, it ought to be coöperative. There are several in Texas today. It is necessary, however, to make sure that there are enough patrons with enough cows to furnish milk to make it profitable. Promoters whose object is to sell machinery, have often induced farmers to build coöperative creameries where business did not warrant it, and the machinery was usually sold at \$500 to \$1000 above the market price. In the northern part of Iowa, there are over five hundred coöperative creameries, while in the southern part, there is hardly one. The reason for this is that grafters came in and "organized creameries where there were not enough cows to keep a hand-churn going." It is impossible to organize farmers in that section now; in fact, it is impossible to get farmers to believe in any coöperative ideas because they have been grafted upon so often.¹

Coöperative Breeders' Associations

The average cow in Texas produces about one hundred and fifty pounds of butter per year. This is not profitable. All our dairy associations and agricultural colleges are agreed that we need to improve our dairy herds as well as our other farm animals. But a pedigreed or registered sire is expensive and unless a farmer has a sufficiently large herd of his own, he is not in a position to own one himself. However, if there are enough farmers in a community raising the same kind of stock, say Jerseys, it will be to

¹Marketing and Farm Credits, p. 91.

their advantage to buy a sire to head all the herds of the community. Mr. W. F. Raven, who represented the State of Michigan at the Corn Show at Dallas, spoke at that meeting on the organization of these breeders associations in his state. The plan briefly is this: When the owners of one hundred and twenty cows decide upon the breed they wish to have, the state field agent takes up the matter with the farmers. The cows are divided into three groups of about forty cows each and three bulls are purchased. At the end of two years the bulls are changed from one group to another to avoid inbreeding. The initial cost is about \$10 to \$40 per member. Today there are seventy-seven centers and in Livingstone county the Holstein Breeders' Association has three hundred and forty-seven members.¹

Coöperative Sale through Associations

These breeders' associations also furnish a nucleus for coöperative buying and selling of animals. A buyer wishing to buy a carload of Jersey cattle has to spend a week among the unorganized farmers to find what he wants. But by having registered with a secretary all the stock for sale in the community, there is no difficulty at all. The Breeders' Associations of Wisconsin have found this very profitable and not only hold public sales, but advertise their cattle. In Bulletin No. 189 of the Wisconsin Agricultural Experiment Station, this is brought out: "The small town of Lake Mills, Wisconsin, is another example of what community effort can accomplish in the way of breeding one specific kind of cattle. Through the efforts of a few men, many Holstein herds exist in the vicinity of Lake Mills. The early activities of these men established a reputation for Lake Mills as being the greatest Holstein center of the Middle West. Buyers have gone there from all parts of the world to buy high-grade and pure-bred Holstein cattle. As high as \$175,000 worth of Holstein cattle have been shipped from Lake Mills in a single year. Breeders in the vicinity of Lake Mills have been unable to satisfy all of the demand.

"Several of the associations now in existence in Wisconsin are advertising in the leading dairy papers of the country by carry-

¹See circular 4 of the Michigan Agricultural College.

ing, at the expense of the associations, such advertisements. In reply to inquiries, which these advertisements attract, sales lists, published at intervals determined upon by the association, are sent out. These sale lists contain a complete enumeration of all stock for sale, together with the names of the respective owners. From this sale list the buyer may choose whatever he may desire.

"A community organization may also render great assistance to its members in selling various farm products and in buying feeding stuffs and other supplies."

Some excellent breeders' associations are found in other States in connection with the United States Department of Agriculture. "Two such associations are now at work,—one in Minnesota, where short-horn cattle are being bred; the other in North Dakota where a group of German farmers in the semi-arid regions are breeding Holsteins. Tennessee breeders are thinking of applying the plans to the production of mules; and interest in it is being shown in other sections."¹

The same type of associations could do a great deal in the South towards the community eradication of the cattle tick. At St. Elmo, Louisiana, there is a splendid dipping vat built by and for the use of the community to fight the ticks.

Cow Testing

The breeders' associations often work together in cow-testing associations. The individual farmer cannot afford to have a large Babcock tester nor give the time to the work he ought to, to find out whether his cows are up to standard or not. These associations hire a man who goes from house to house and spends a day or so at each farm house, tests the cows, and keeps the record for the farmer. In a short time the record of the cow will show whether she is paying for herself or is merely a "boarder." At Dickinson, Kansas, such an organization was formed in 1912. They had twenty-one members and three hundred and seventy-nine cows. They assessed each member one dollar per cow payable quarterly with a minimum charge of twelve cows. It was found that the best cow in the herd produced \$201.00 worth of butter and her feed cost \$55.91; the poorest cow produced \$21.38

¹Progressive Farmer, January 11, 1913.

worth of butter and her feed cost \$33.23. This last cow helped to cut down the profits of the first and ought to have been culled out long ago.¹

Other Breeders' Associations

The same type of organization may be used for the improvement and sale of horses, mules and swine. Grayson county has begun to work in this direction. The Sherman Chamber of Commerce has taken up the matter of organizing a hog raisers' association. A poultry association has also been formed in this county. Farmers of Lee county have organized a Swine Breeders' Association that has more than one hundred members. They also sell their hogs through the association, and buy Irish potatoes directly from Maine.

When it comes to horse breeding associations the money invested in a good sire is a good deal more than in the other associations mentioned. Here the "promoters" have also played their game. Many such associations have been sold \$500 stallions for \$3000 or more, and in a year found they have been swindled. The advice of competent men should be asked before money is invested in an enterprise of this kind.

Cotton

In the cotton industry there are plenty of examples of farmers' organizations that are doing a good business.

"Our organization in this district (Quanah) owns and controls nine Farmers' Union warehouses to store and finance our cotton and cotton seed, and one of the largest oil mills in the state (just completed) to grind and protect our cotton seed."²

The people at Anna, Texas, have organized a company which has successfully built a gin, and operated it for the past season. The organizers tried to get one hundred farmers and business men into the organization, but got only ninety-three. The cashier of one of the banks was made secretary-treasurer and has had a great deal to do with the organization and management. He told us that they went ahead with their ninety-three members and built

¹Circular No. 35, Kansas Agricultural Experiment Station

²Farmers' Fireside and Bulletin, December 3, 1913.

and equipped the gin for \$10,700. They allow only one vote to one member, restrict the number of shares to be held per member, but allow voting by proxies. At the end of last year they paid up the difference between the actual share capital and the cost of the gin, laid aside \$300 for their reserve fund and paid twenty-five per cent on the capital. The actual dividend was probably near forty per cent. None of the officers receive pay except the secretary-treasurer, who receives \$25. The gin has proven such a great success that they are thinking of putting in their own oil mill, which, however, will take a capital of \$40,000. They do not have any warehouses, although they had room to store a few bales of cotton. This gin is a splendid example of coöperation between the business men and the farmers of the community. The gin company lacks some of the features of a truly coöperative concern, but is as near to it as their composite membership will allow.

In Atascosa county, the Farmers' Union secured control of two gins in the fall of 1913, and found them so successful that they organized the Coöperative Gin Company of Atascosa county, with the object of owning all the important gins of the county.¹

An interesting letter was published in *Farm and Ranch* of June 13, 1914, by C. G. Burkett of Collin county, Texas, which demonstrates the fact that farmers can handle their economic problems if they once make up their minds to do so:

"We had four gins in Farmersville up to last summer. They had become owned and controlled by the local mill, or at least the farmers thought so, and while they were considered very good gins, equal to the average, there were many new features in ginning cotton that added to the grade of the lint that these gins did not have, and the owners did not feel inclined to supply them. The farmers also felt they were not getting the full value of their seed as compared with other sections. They could see no way of getting the best results except by going into business for themselves. They decided to build a first-class gin with a reinforced concrete building, equipped with the latest machinery to cost \$20,000. About one hundred and fifty farmers and a few business men of the town, who were known to be outspoken friends of the farmers, took about half of the stock and an old ginner

¹Farmers' Fireside and Bulletin, December 3, 1913.

and farmer took the balance. The gin was completed and ginning begun.

"The first unnecessary evil which the new gin eliminated was to prevent an advance in ginning and wrapping of seventy-five cents per bale. It was soon discovered that the new gin was turning out a bale that sold for from \$10 to \$25 per bale more than those of the plain gins. This at once compelled the other gins to put in improved machinery.

"They estimated the grade of the cotton was raised at least \$15 per bale. This was correction number two.

"They had their seed under their own control and shipped them for about \$3.00 per ton more than they could get at home. This was evil number three.

"There were about 8000 bales raised in that district; the benefits for last year to the cotton growers was nearly \$150,000. The dividend was forty-three per cent on the stock.

"Persuasion or petitions would not have had any effect toward correcting these evils, but getting into business for themselves where reforms were needed did the work. Farmers and merchants coöperated together, as they should, and got results."

There are many farmers' cotton warehouses throughout the state, successful in many instances and failures in others. Coöperative cotton marketing has also been tried. One of the most successful cases is at Scott, Arkansas.¹

In a bulletin of this size it is impossible to describe many types of farmers organizations. So far we have only discussed consumers' and producers' organizations; very little has been said of selling of cattle, truck or other farm products. This will be treated more fully in the chapter on Marketing.

Essentials to Success in Farmers' Organizations

The farmers of Texas in many places feel the need of organization but do not know how to go about it. One farmer from Cameron county writes: "I am convinced that many of our

¹See proceedings of first meeting of Southern States' Association of Markets, Bulletin No. 36, Texas Department of Agriculture, or Progressive Farmer, June 6, 1914.

troubles in this line may be averted by close coöperation through associations throughout the state and I believe further, that the only way to cure the evils complained of is through a system of training by well-organized, well-officered associations, which will eventually teach the shippers and buyer as well, the importance of and the benefits to be gained by a National Bureau of Marketing." In the chapter on Rural Credits, directions are given as to the formation of a Rural Credit Society. The principles stated there will apply in general to the formation of any farmers' organization, so we need not repeat them here.

Leadership

Leadership is a large factor in the success of any coöperative undertaking. As one farmer writes: "It is not a question of what we can do, it's only a question of what we will do, and what we do depends upon our leaders. If they are men who have the get-up-and-go and have the confidence of the membership we can carry out all our undertakings with ease,—and we have learned that the right man in the right place is worth forty men in the wrong place."¹ Due credit must be given to the Farmers' Union in the matter of educating the people to work together, and the leadership of their men in the formation of these organizations.

A striking example of what a leader can do is found in Pasadena, Harris County. There, Mr. Glasgow, the teacher of the Pasadena school, has organized a strawberry selling association, composed of eighty farmers. They employ regularly a sales agent at \$1000 per year, and the first year's business amounted to \$90,000, paying fifty per cent dividend on the stock and leaving \$1800 of undivided profits. They buy their own crates and fertilizers, and are thinking of putting in a cannery to take care of the second-class stuff and the local tomato crop. Mr. Glasgow is president of the association and, besides his school work and his work as president, he calls together the farmers on the last Saturday of each month for discussion of their agricultural problems and country life improvement. He himself has a farm of twenty-eight acres from which he made a total net profit of \$2100 in one

¹Farmers' Fireside and Bulletin, April 3, 1914.

year. This man by his leadership has made it possible for the community to realize its possibilities.

To go outside of the state, there is a good example of the leadership of another school teacher who organized his patrons in a Northern Wisconsin town to build a cheese factory and a cheese selling association. In one year he saved the people of his community a salary of \$1500, but they were \$300 ahead at the end of the year. In another year he saved the people of his community a salary of \$1055, but they were \$300 ahead at the end of the year. These two examples will show what leadership will do for the community.

Specialized Industry

Another factor in the success of farmers' organizations is to have a specialized industry in a restricted area. This is especially true where we have a producers' association. Whenever farmers are engaged in general farming, raising no particular crop, there is generally not enough interest in the marketing of any particular line of products to make it worth while. But whenever any community raises a sufficient quantity of truck, cotton, vegetables, or fruit there ought to be no reason why a farmers' organization could not be formed to market these. Whenever a sufficient number of farmers require a considerable quantity of fertilizer or lumber or any other product, there is a good opportunity for the formation of a buying association. The same principles hold in the formation of breeding and live stock selling associations. The industry ought to be in a small area, so that the different farmers may know each other personally, and so that the cost of concentrating the product or handling it is not too great. After a number of local organizations have been formed there is no reason why there could not be a federation, such as has been carried out in the Hood River Valley, where the famous Hood River apples are being marketed. But the federated organizations ought not to take over the functions of the locals.

Books and Auditing

Another essential is that there should be a good system of accounting, and, furthermore, the books ought to be open for inspection of the members at any time. The Right Relationship League of Minneapolis, which has promoted the formation of coöperative

stores in the Northwest, insists upon proper accounting and auditing of the accounts of the stores under their supervision. In fact, the success of their stores is largely due to this precaution, but in any organization there ought to be an auditing committee and other committees who have the authority to inspect the books and supervise the business.

Membership Agreement

Another fundamental is that there should be a well defined membership agreement, and every one should sign it so that he may know exactly what is required of him. This should cover all the details of the business, and in order to hold members, the constitution or by-laws should contain some provisions for holding them together, or there will be danger that some will leave the organization and break it up. The Cranberry Association of New England requires the sale of all the cranberries through the Exchange. The Walnut Growers of California fine their members \$100 if they are found selling outside of the organization.

Manager

A good manager is essential to the success of farmers' organizations. There is a good illustration in connection with a general store in southern Iowa. They put in a manager whose chief qualification was his low salary. At one time he purchased 2000 pairs of shoes without regard to whether the people who belonged to the organization would or could wear the shoes. The purchase was almost a total loss.¹ A good manager must be a well paid

¹Marketing and Farm Credits, p. 90.

man; one who is willing to work for the benefit of the coöperative enterprise, and one who has the ability to handle the business in question.

After employing a good manager, and seeing that he is conducting the business honestly, it is necessary to let him *manage*. Too often the members of the organization trouble the manager with all kinds of suggestions and feel hurt if he does not carry out their ideas. The manager has troubles enough. A farmers' elevator manager told us that he was "tired of his job." "If I have several hundred bushels of grain on hand some of the farmers will

come in to tell me that I ought to sell and sell quick, for grain is going down. The next one that comes will tell me that it is a shame to have only four hundred bushels on hand. Grain is rising and we ought to take advantage of it. I listen to all of them and do as I please. If I didn't have a thick skin I'd have quit long ago."

If the manager is a good man, keep him and do not practice rotation in office. One of the reasons for the failure of the Iowa elevators was the fact that the farmers passed around the "good jobs," as they called it, and changed the management every year or two.¹

What is True "Coöperation?"

In the first few paragraphs of this chapter it was stated that there is a great deal of confusion as to the word "coöperation." So far we have discussed the principles that apply to farmers' organizations of all kinds. There is, however, a form of business organization which is the purely coöperative type, and it is recommended by the American Commission that, to avoid the confusion, the word coöperation ought to be restricted to the purely coöperative enterprises. Wisconsin has passed a coöperative law outlining the requirements for the organization of such companies. This law forbids the use of this term to any company that does not comply with the law in its organization or methods of doing business. In the same way the Texas Rural Credit Law forbids the use of the name to any banking association that does not comply with this law.

The following points are considered as fundamentals in truly coöperative business organizations:²

One Man One Vote

1. There ought to be only one vote to one man. Coöperation is a combination of men, and not dollars. The small producers, or consumers ought to have the same right in business affairs of the organization as those who have larger shares of the capital.

²See *Coöperation in Agriculture*, G. H. Powell; *Coöperation in New England*, Ford; *Report of American Commission*, Senate Document 261, part I.

¹Coulter, *Coöperation Among Farmers*, p. 121.

The Right Relationship League makes this one of their fundamental principles, because they say it is American and democratic, and it would be just as well to allow people to have the voting privilege in accordance with the amount of property they held when it comes to a national election. Some organizations, however, allow the voting privilege in proportion to the amount of produce furnished to the organization. This is true of the California Citrus Fruit Growers, but this does not mean the same thing as being allowed the privilege of voting in proportion to the number of shares held.

Limited Number of Shares to Each Member

2. The number of shares allowed to each member should be limited by the constitution. The Right Relationship League does not allow more than ten shares to each member. The Walnut Growers of California limit the number of shares by saying that there shall be no more than one share per acre of walnut trees.

No Proxy Voting

3. There ought to be no voting by proxy, that is allowing a member to give his vote to another if the first one cannot be at a meeting. It is held that if a member will not attend a business meeting he ought to lose his vote. Besides, proxy voting has many faults which ought not obtain in a coöperative organization.

Only Producers as Members

4. Only those who are interested in the producing or consuming side of the organization ought to be allowed to become members. In the case of a gin, only farmers who have cotton to gin should come into the organization. The share capital of the coöperative creamery ought to be held by the patrons who are furnishing the milk. This principle is carried out by the Florida Citrus Exchange and the Walnut Growers of California who have it specifically stated in their constitution that only producers shall be members. In fact, one of the reasons for the failure of the California Citrus Union was the fact that others were allowed to become members of the organization.

It also ought to be stated in the constitution that, if a man leaves the organization to go into some other business, he be required to sell his stock to the organization itself, which can then resell it to some other producer. This will prevent the stock from falling into the hands of non-producers or non-consumers. Furthermore, it will prevent a man from being a stockholder in two rival organizations. Here is where a truly coöperative concern differs from the method of organization adopted by the gins at Anna and Hillsboro.¹ These allow business men to hold stock in the organization and the combination of farmers and business men is a good one for the latter have been loyal leaders, giving time, money, and business experience to the enterprise. But if the next fundamental point in coöperation is also insisted upon there may be friction. It is this:

Division of Profits

5. All profits, above a reasonable dividend on the capital, should be divided among those who furnished the business to the association. That is the important difference between a joint stock company and a coöperative concern—in the former profits are divided among the stockholders in proportion to the amount of money they have invested in the stock, in the coöperative business the profits are divided in proportion to the amount of business furnished by the members after a reasonable dividend has been paid on the stock. To illustrate this, in the case of a store run under the plan of the Right Relationship League: The consumers pay full price for their goods, and a record is kept of the amount purchased. First the interest is paid on the capital and a sum is laid aside for a reserve fund, then the profits are divided up among the consumers according to the amount they have purchased. Suppose a ten per cent profit has been made. Then a man who has purchased \$450.00 worth of goods will receive a rebate of \$45.00. According to the rules of these stores, customers who are not stockholders get half as much rebate, in this case five per cent, or \$22.50.

To show the difference between the ordinary stock company

¹Farm and Ranch, May 2, 1914.

and a coöperative concern in the division of profits, we will assume the following case:

Suppose a \$10,000 gin is built and there is no limit to the number of shares held by one member and voting is by shares. Mr. A. is a business man and holds twenty-five shares. Mr. B. is a farmer and holds one share. They gin 3000 bales at \$3.00, which would be a gross income of \$9000, of which \$2250 is clear money. They lay aside a reserve of \$450, leaving \$1800 to be divided among the stockholders, a dividend of eighteen per cent on the investment. Mr. A. will get a dividend of eighteen per cent on \$2500, or \$450. Mr. B., eighteen per cent of \$100, or \$18. In business meeting A. has twenty-five votes, B. only one.

According to coöperative principles this is not right. The farmer is the one who by his patronage furnishes the business by which dividends are created. It is true the capital of the business man ought to produce the usual amount of interest, but everything above that does not belong to capital, but to the man who has produced the business. Many would go so far as to say that all the profits should be divided on the basis of business furnished and this is practicable where the cost of putting up the plant, etc. (the physical capital, in other words), is small as in the case of a purchasing society.

Let us work out this assumed case on coöperative principles, keeping the number of shares the same. We will allow eight per cent interest on the capital. Eight per cent of \$10,000 would be \$800; A. with his twenty-five shares would get eight per cent of \$2500, or \$200 interest; B. on his \$100 would get \$8.00. Taking out the interest on the stock there still would be \$1000 of profits to be divided in proportion to the business furnished to the gin. Suppose B. has furnished 60 bales of cotton which is one-fiftieth of the total. Therefore, he would be entitled to one-fiftieth of \$1000, or \$20. The two compare as follows:

Mr. A.	Mr. B.
In joint stock form—	
18% of \$2500=\$450	18% of \$100=\$18
In coöperation form—	
8% of \$2500=\$200	8% of \$100=\$ 8+
	\$20 on cotton ginned=\$28

This still looks in favor of A., but in a purely coöperative concern the number of shares of stock would be limited to a great deal smaller number than twenty-five and he would have only *one* vote, no more than B. with his one share. Some organizations might exclude A. altogether.

But under such coöperative arrangement we can see that the non-producer stockholders would feel that they had a right to object. They would prefer to have the dividends paid upon the capital, but according to coöperative principles if they are not furnishing any of the business out of which dividends are created they are not entitled to the profits above a fair return on the capital invested.

Limited Stock Dividend

6. In most coöperative concerns the interest on shares is limited by the constitution and by-laws, as has been explained in the example given above. In the Cranberry Exchange of New England, six per cent is allowed on the money in shares, and the rest of the profits are divided on the basis of business furnished.

Reserve Fund

7. As shown in the above example, a certain reserve fund should be set aside before profits are declared. This is very important, for in very many farmers' organizations nothing is set aside for repairs or depreciation, and the results are that they pay enormously high dividends for the first few years. But after awhile the bills come in for repairs and depreciation, the dividends drop off, and in fact members may be called upon for assessments instead, and then it is likely that the organization will be broken up. One of the reasons for the failure of the New England creameries is the fact that no reserve fund was laid aside. The Wisconsin Coöperative law requires that all institutions organized under that law must have a reserve fund. They must set aside ten per cent of their net profits, until this amount is thirty per cent of the paid up stock, after that five per cent must be set aside for an educational fund to be used in teaching coöperation.

Judged by these standards there are not many farmers' organizations in the United States that are truly coöperative. "But

any organization of this kind may be said to be coöperative in spirit when it is managed exclusively with a view to giving the farmer a better price for his butterfat or his grain, and not at all for the purpose of securing dividends on the stock," says T. N. Carver.¹ "If the stock is owned by farmers and if each share

¹Year Book, U. S. Department of Agriculture, 1913.

of stock is in practice limited to a normal rate of interest and all surplus earnings go to the farmers in the form of better prices, the enterprise is coöperative in spirit, even though its form be that of the ordinary profit-making corporation.

"However, it must in frankness be admitted that there is always danger, under the joint stock form of organization, that the coöperative spirit will be destroyed and the organization shifted to the profit-making purpose. In a creamery, for example, if one man own a large number of shares and very few cows, or none at all, he will naturally be more interested in dividends than in the price of butterfat. If a majority of the shares are owned by such men, the company is almost certain to be managed in the interest of dividends rather than in the interest of the price of butterfat. It is therefore highly desirable that the form of organization be such as to prevent this result and insure that the management shall always be in the interest of the producers. Nevertheless, so long as the management is in the interest of the producer, it is reasonable to list such an organization as coöperative."

CHAPTER II

MARKETING

INTRODUCTION

It would not be possible to discuss in one short chapter all of the important questions in connection with the marketing of farm products. Marketing has been for some time a much studied question and there yet remains a vast amount of study and effort before some of the most perplexing difficulties can be removed. The purpose of this chapter will be to show some of the conditions which exist at this time in our own state, and to suggest improvements and solutions which may be offered by the individual farmer rather than by government action. The statements made here concerning conditions are from the people concerned. The chapter is a product of the evidence and testimony which have been given to us by farmers, shippers, merchants and dealers. This information has been obtained either by correspondence or direct interview. Naturally, those who have furnished us with information have also given us much personal opinion. Of necessity much of this is omitted. The purpose of this chapter is not argument except as the experiences of the producers tell their own story. Wherever opinion has been offered or scheme of solution by the government proposed, we have considered the same and placed it where those concerned with law making may have access to it when desired.

Correspondence and interview have brought us charges and counter charges of fraud, theft and dishonor. But producers, middlemen and consumers all make mistakes. Not all the present-day difficulties could be based upon mistakes, but we have hesitated before putting into print the charges brought in many cases and some of them will not appear. Enough is given in these pages to show that the widespread dissatisfaction of the farming class has a very solid basis. It is not personal opinion but a deduction from facts that the farmer and producer markets his wares against great odds. Conditions in many places are chaotic. It is also a deduction from his own evidence that he is not doing

what he should to remedy his own condition. The principles underlying what he should do have been suggested in the previous chapter.

The conditions and times demand action. We advise a campaign for coöperative marketing because it has succeeded. It will be well to note again the distinction drawn in the first chapter between true coöperation and some of the organizations which have paraded under its name. We advise coöperative marketing in the second place because it will eliminate from the produce world much of the personal antagonism and fraud which now exist. It will show that men in certain situations are victims of circumstances. Methods and principles will be studied instead of personalities. A third reason for advocating coöperation in marketing is the fact that it will make students of the producers. To study the market is to find out what to produce, how much to produce, how to prepare it, and where to dispose of it to the best advantage. There are many other facts in favor of coöperative action and prominent among them is that it is a method within the grasp and control of the smallest producers as well as largest and there need be no wait for legislative action or further work on the part of those not actually following the plow. In this way private initiative, while not antagonistic to, may yet be independent of, state action. Coöperation will eliminate conflict by making useless those who cause it in the marketing world. In time legislative action will assist that which has been done by the producer himself: that which he must do of his own action whether legislation comes first or second.

Crops and Values

During the past year nearly five thousand farmers have had an invitation from us by letter to give information on marketing conditions. Twice five thousand and more have had a direct personal invitation. Out of the hundreds of letters which we have received, we tabulate the following facts:

Products Mentioned.	Per cent of Letters in Which Mentioned.
Cotton	61
Truck and vegetables.....	38½
Grains	17

Products Mentioned.	Per cent of Letters in Which Mentioned.
Corn	16
Live stock	15
Fruit	13½
Poultry and eggs.....	13½
Dairy products	9
Hay and feed.....	9
Wool	3
Pecans	3

The eleven classes mentioned include nearly all products upon which we have been furnished information. There is an average mention of about two products per letter. Of course, this does not mean that these farmers have an average of only two products to sell, but it does mean that they have only that many which they consider worthy of note when talking about marketing problems. The class of truck includes all the different kinds of vegetables. The grains include wheat, oats, etc. Kaffir, milo, etc., go under corn or feed. All other products are very scattering. For example one mention of tobacco; one of sugar cane; one of molasses; and five of honey were given. It is worthy of note that even in a limited number of letters, grain, corn and live stock stand close together. Also that dairy products and hay and feed are tied for eighth place.

The following table taken from the last census shows the value of these classes of products for the year 1909:

Cotton and seed.....	\$188,673,954
Truck and vegetables.....	12,122,255
Grains	16,545,305
Corn	50,564,618
Live stock	78,648,000
Fruit	2,304,574
Poultry and eggs.....	5,909,942
Dairy products	15,680,000
Hay and feed.....	12,824,433
Wool	2,202,342
Pecans	556,203

It will be seen from this that the following pages contain a discussion of the marketing of all our principal agricultural products. However, they are not discussed in the order of their value.

Grain

As is well known, the rice producers have had some experience in coöperation or association work. Rice growers say freely that by association they have secured much which could not have been obtained by individual action. What can be done further is well suggested in this statement:

"The rice growers and truck growers seem to be having trouble in buying feed which they do not raise. . . . The rice men have an organization for selling, which handles their business in a manner satisfactory to them, but have failed to see the need of coöperation in buying. To illustrate: The rice farmer has very little land suitable for feed crops, so he has to buy a large amount of feed; in fact, the larger part of his expense account is his feed bill. If the grain growers were as well organized as the feed or grain dealers, they could sell direct to the rice growers through their association at a better price and the rice man would buy food cheaper. Corn has not sold for less than \$1.00 per bushel for a long time, and often at \$1.10 and \$1.15. These prices are not governed by the price the farmer gets. In talking the matter over with my neighbors who grow rice, I find that they are hopeless of any relief from the exactions of the middlemen. Good table rice is sold by our local rice mill at from \$3.50 to \$5.00 per 100 pounds, yet rice retails in our local stores at 7½ to 8½ cents per pound. Some of us are hoping that the feed growers will organize and divide the profits the middlemen now get between producer and consumer."

The rice grower wants feed. Here is the man with the feed. It is simply a question of get together.

"I raise corn, cotton and grain, the principal crop being oats. Marketed 15,000 bushels. I own and operate a farm with hired labor, doing everything from breaking land to threshing with own machinery. . . . I sold my crop through local dealers. I think the price would be better if a more direct communication could be had with the consumer. My observation is that our local buyers buy on a good margin, and sell to other brokers who also require a margin. Commission selling is very rarely satisfactory in the grain business, but I find it very much so in the cattle business; however, in the latter transaction, your prospective buyer is looking at your wares, while the displaying to a buyer of fifteen or twenty cars of sacked grain, or loose grain, would be quite an item in time, space, expense, etc., and after all the satisfactory handling of farm products through the channel of commerce to the consumer will remain, as a rule, an unsatisfactory business transaction."

Hay and Feed

Closely related to the grain market is the market for hay and other feed stuffs. Opinion is about evenly divided as to satisfaction and dissatisfaction in buying and selling.

In one case where satisfaction has been had the selling has been done through an association. The large amount thus handled has attracted more buyers. The association manager received the bids from the buyers and the producer accepted or rejected any bid. This has been found effective in keeping the price up to the quoted market. Weekly meetings were held for the purpose of discussing the market and "the spineless ones were worked with until a better system of marketing could be worked out." Success in this case has been due largely also to the fact that a warehouse was constructed. Now the product is sold as a whole: grading is easier and the buyer does business with the association as if it were one man. The association sells only in car lots and therefore does not have direct connection with the consumer.

Another alfalfa association has trouble in reaching the small consumer because so many people want to do business on reference only. The distance over which some hay must be shipped makes all personal contact between buyer and seller impossible and thus the large buyer has the advantage over the smaller. It is suggested that greater security could be had with some kind of market supervision. At this time the safe way seems to be through the association, even for a man who produces as much as 150 tons of alfalfa and 25,000 pounds of seed in one year.

The price of unorganized effort is stated in the following comment:

"Hay season comes and the town is filled with hay wagons. Dull time with the town people; a few grain men buy it at \$8.00 or \$9.00 a ton, store it, and in the winter sell it at 50 cents a bale, or \$16 to \$18 per ton."

With regard to this condition the question naturally arises, did the grain men come first or did they come second? If second, then the producer must have been *waiting* for a market. Here is one producer who found out in time:

"The bundled feed was loaded on wagons and hauled to be sold to any chance buyer who might happen along. I quit selling such feed because marketing consumed too much time, and because ultimately that kind of

marketing would impoverish the land. I sold direct to the consumer and the price was fairly good. Milo heads consumed less time marketing, the price was fairly good, and usually one could place a car with some merchant in the cotton country. The stalks could remain on the land. That looked fairly good, but I soon saw that my stock could graze the stalks to advantage, but this same stock would later need the grain. I sell no more milo heads."

Satisfaction in selling hay and feed seems to come from the two sources of associated effort and ability to store and hold.

Dissatisfaction comes from several sources. One example is where selling was done to a distant company upon exchange of telegrams. This system worked very well on a rising market but in certain cases of falling market the company would return message that the hay was not up to agreement or classification. One party who sells about sixty tons of alfalfa, claims that it was wholly due to local conditions that hay last year was worth only \$14.00, while the year before it sold for \$20.00. As with the grower of perishable produce, so with the seller of hay, it seems that sometimes he is out his feed and asked to pay something more to cover freight charges. One sorghum producer sold last year about 400 tons by carload throughout the state and found about three out of five dealers honest, honorable business men. Knowledge of only one market has caused several shippers to receive a price which might have been refused if there had been any knowledge of another market. One shipper says he has had several unsatisfactory deals because he was afraid of "being stuck with a car of hay perhaps one hundred or two hundred miles from home." That he had a right to this opinion is proved by the following:

"I know of one party at this point who shipped a car of hay to North Texas and it was refused. He wired the parties to unload and sell for his account. His returns on same were 92 cents, but they kindly sent him \$1.00. At this same time he could have gotten \$4.50 per ton on track here for bedding hay, and the hay he shipped was fairly good, fall cut, feeding hay, but a little dark. If there had been a bonded broker within fifty to one hundred miles of this hay, it would have paid him well to have paid this broker's expense and commission to go to the town and dispose of it for him, and he would have had the satisfaction of knowing he had not been robbed."

The majority of growers of hay and feed make haste to explain

that while they charge down-right dishonesty on the part of some of the dealers, that they are assured that there are many honest commission men. The trouble seems to be uncertainty more than dishonesty. The producer is willing to admit that the majority of commission men are honest but that it is certain that there are some dishonest ones who are largely responsible for the perplexities and difficulties with which the average producer must deal. No one will deny that a number of commission men fill a legitimate place in the present marketing system. It would appear, therefore, that the honest commission men would be very anxious to have the dishonest eliminated from the business. Could not the producer assist in this as well as the dealer? Take for example the case given above, where the town was filled up with hay wagons at the busy season. If there are among the buyers in this case dishonest men it is as much the fault of the sellers as it is of the buyers themselves. Nothing could be simpler than coöperative action on the part of the sellers and by a very simple association, dealing only with buyers who prove themselves trustworthy. In other words, if the producers use no foresight, make no attempts to contract with a buyer in advance, but simply drive into town, sell to the best price, and if necessary compete with a neighbor who is also a seller, does not this kind of business management get just the kind of a buyer that it deserves? The average dishonest commission man does not have much to do with an effective farmers' organization. As we might say in the case of hay, the fields are greener somewhere else.

The principles mentioned in the preceding paragraph apply not only to hay and feed but to practically everything which the farmer has to sell.

There is a general opinion on the part of the consumers or those who buy hay, that retail prices are too high. They are probably not too high considering the way the business of buying is carried on. The point is, that the average farmer has little defense when asked, "Why do you buy feed?" But it is a well known fact that there are many who could produce feedstuff, who prefer to buy. Of course, this kind of a preference is rather costly. If the farmer uses the business management, which leads him to buy a manufactured article to feed to his live stock, is it not reasonable to suppose that he will have to pay manufacturers'

profits and the commissions of the commercial world for so doing? To those who cannot produce their own feed, there is as much to be said on the side of unplanned and unorganized buying as there is to those on the side of helter-skelter selling.

Corn

With corn, as with hay and feed, although local supply does not equal our demand, the producers are about equally divided as to whether marketing is satisfactory or otherwise. Prices vary with local conditions. For example, out of the first half dozen letters glanced at the following prices are quoted: Eighty cents in shuck; \$1.00 a bushel; seventy cents in shuck; whatever the merchant says it is worth. The dollar corn was sold to neighbors. The seventy-cent corn was reported satisfactory with a yield of 35 to 40 bushels per acre.

One letter reports:

"Ten loads of corn will glut the market in Paris and prices go down 15 to 25 cents per bushel, and the same thing with oats."

The next one says:

"Corn is never considered a product for the market in East Texas counties from the fact that it consumes all the grain crops at home. This country buys corn every year."

The solution of high prices and low prices in these two communities by their getting together in organized exchange is easy.

One correspondent says:

"I have bought from the dealer at 75 cents per bushel, seventy-two pounds for a bushel, cash, in spring, and sold better corn the coming fall at 25 cents per bushel of seventy-five pounds for a bushel."

Perhaps so, but this does not mean that the farmer paid too much nor that he received too little. No one had corn in the spring perhaps, except the dealer. One seller and many buyers mean high prices. In the fall it was one buyer and many sellers, hence low prices. In addition to this fact we must remember that the value of an agricultural product depends largely upon where it is, and what time it is there.

Since corn is usually regarded as a grain and is a large item

in feedstuffs, what has been said above on grain and feedstuffs, applies also in the case of corn.

Marketing of Live Stock

Among the farmers who have given us information concerning the marketing of live stock, there is about one satisfied seller to two dissatisfied sellers. One satisfied seller says that he sold 60 Jersey cows this year at a good price and that he did this by advertising. This man, of course, is more than an average producer; he is (just the same as the cattlemen) in a specialized business. The majority of our correspondents belong to the class of general farmers. The following comment applies to the majority of the producers who have written us:

"I have a few fat hogs for sale. Our local dealer offers me 6½ cents, live weight. He sells pork from 16 to 20 cents. Of course, I could do better by selling to San Antonio or Fort Worth packers, but I have no carload. Through the medium of our Farmers' Institute I tried to organize clubs, but the farmers won't organize."

Another case is that of the producer who has several thousand acres of pasture, and half as much land in cultivation. He says:

"We market cattle, sheep, hogs, horses and mules, and these consume most of the rent feed on the place. What feed there is left is disposed of locally, and the selling becomes a personal proposition of salesmanship. The fat stock shipped to market is handled in a satisfactory manner by the live stock commission companies. There is so much competition between these concerns that there is a constant incentive to better sales. On the whole, we have no fault to find with the present system of marketing stock and wool."

Here is another case of the producer who is above the average:

"I market about \$4000 worth of hogs of my own raising for some years, and find that selling through commission men, mostly at Fort Worth and Oklahoma City, has been satisfactory, though the slow movements of trains, that is, the long stops and lay-overs, caused heavy shrinkage, but in justice to the railroads, will say that though I have lost from that cause, I have never put in a claim that was not settled without suit. All feed stuff was consumed on the farm, but poultry was never sold for a fair price except in a few cases where I sold to a man trying to load a car. My hogs were finished for the packer; my poultry the same. To the man who does not expect too much, I believe cattle and hogs are pretty well handled if the loading stations were forced to furnish water for the stock at each and

every station when they are handled. I have been forced to haul water a long distance at heavy expense to water stock after a long drive before I could load, as it would be twenty-four hours before I could compel the road to water."

With regard to shipping facilities, and accommodations furnished by the railroad, opinion is divided, but the majority believe that this phase of the marketing situation is fairly satisfactory. It is to be regretted that so little is said concerning the quality of the product sold. Very little mention is made of improvement in breed or an attempt to furnish high-grade stuff. There is much criticism of the difference that exists between what the producer gets in the local market and what the consumer pays at the local meat market. Little comment is made upon losses which must be incurred in transforming the product on the hoof into a finished meat product. Most of this kind of criticism comes from those who have had a very small amount of product to sell. In one case, there is criticism because certain local dealers have bought up cows, and after keeping the same for a certain number of weeks, have doubled their money. It would appear that such criticisms are unjust. The writer knows of several cases where such local buyers have built silos, and have simply finished out the cattle in the way that the small producer could not or did not want to do it. This is legitimate business. The writer has in mind one case of an Indiana farmer who bought fifty-three head of calves out of the Texas market, and after keeping them for a few months, during the winter season, on a little pasture, wheat straw, and silage, sold to a profit of about \$1300. The calves were finished to top the Indianapolis market. It appears that this is a case of regret not open for criticism except that the feeding out was not done in the State of Texas.

Among the difficulties that a certain man who sells from 400 to 500 sheep, and 200 to 300 head of cattle a year or more, has to deal with, are given the following: First, although commission men are men of ability, their charges are high; second, that the price is controlled by a very few firms; third, that when hay is fed in the pen, that it is sold at a high price. Several examples are given to show the wide margin which exists between prices in the local market and the large city market. This point is brought out along another line by the turkey market. This letter shows

that coöperative action could be applied to advantage. It is the testimony of a woman: "I thought I would raise turkeys, but there is no market here and by the time I shipped them to Shreveport, paid the express and commission there, I could not afford to raise fowls, so have turned my attention to raising cattle."

Word from the sections of the State that are classed as cattle country indicates that there would be a much greater production of cattle by the smaller producers, or general farmers, and therefore the men who do not care to go extensively into the cattle business, if the rates of interest on cattle loans were not so high. And if the small producer could have equal opportunity with the men who specialize in cattle. The following paragraph comes like a breath of the open air:

"I am making my living on the safe and sure plan by keeping milch cows and hogs, and running them on green pasture all the year. Fat hogs and cream is always a good price and sure market. I have my farm fenced off in fields and plant only one kind of crop in a field, and when the crop is gathered I open the gate and turn in the cows and they clean up the field, stalks, weeds, grass, and everything, and have the field ready for the plow, and make cream enough to pay all our running expenses."

After reading the testimony of both sides, one is almost ready to agree with the "P. S." added by an earnest correspondent:

"The person that solves the marketing question satisfactory to both the buyer and seller must possess wisdom that would make Solomon look like 30 cents."

Dairy Products

The rapidity with which silos are being introduced bespeaks an early increase in the amount of dairy products. In other states the farmers in many localities have had their first experience in coöperation through the creamery. In Texas, this has been a neglected business. What products have been produced have depended largely upon local markets and fluctuating prices. The future promises better prices and the government by giving us the parcels post has aided most in bringing about that situation where producer and consumer can get together. Opinions may differ, but actual experiences in marking dairy products by parcels post seem to be entirely satisfactory.

"My butter netted me 25 cents by parcels post. At the same season

our country stores were paying 12½ cents per pound. I save all my syrup buckets, mould butter in brick, wrap with bought butter paper as I mould. This paper keeps the butter fresh for quite a while."

"Since the parcels post has been in vogue we can get 35 cents per pound for butter, when the local market pays only 15 cents."

"I market 2000 to 4000 pounds of butter or butter fat and 30,000 to 50,000 pounds of milk annually. First I sold through creameries and later found it more satisfactory and profitable to manufacture my own butter, and under the new parcels post laws find it very satisfactory, selling to city customers 200 to 300 miles distant."

Some opinions do not agree with what has actually been done.

"We also sell about \$400 worth of butter every year, at from 27 to 30 cents per pound. The merchants seem to have a set price to pay for butter. They think that 25 cents is all they should pay for it. It seems to me that the butter maker should be in touch with the butter eater. There is so much red tape about mailing butter that we think it won't pay. People want it fixed very secure. Our butter is very firm and solid. We use a separator and make the butter out of cream. Butter made from cream is superior to butter made from milk."

Of course, there is "red tape" about it. But red tape in this case is worth money. It is the customer who demands the best and that best served to him in the way he wants it who is worth while. The producer who tries to satisfy a want stands a better show to get his money than the producer who tries to make a consumer want something else. The producer can determine the character of the supply but the consumer determines the character of demand. He expresses his opinion in terms of money. Note how it is brought out in the following cases:

"I have marketed during the present year about 200 pounds of butter to my local people, they being the actual consumer, receiving 25 cents per pound, or a total of \$50, which has been very satisfactory to me under existing circumstances. Our butter was moulded in one-pound moulds and wrapped carefully in tissue paper, delivered direct to our customers by someone on the farm two or three times a week."

"We are planning to build up a herd of Jersey cattle. We are eight miles out. At first I tried selling skim milk, buttermilk, eggs, and butter direct to consumer by making three trips a week. Prices were fair. The round trip over a scattered town was too much for man and team, and my customers often moved without leaving their addresses, so that I would lose small bills in that way. We found that plan unsatisfactory. We

then began selling butter to our groceryman at 25 cents per pound. We got nice cartons, put our butter up in neat packages with trade name, character of contents, and maker's name printed on outside. People learned our trade name and our butter became popular. The price gradually rose, until we have received 35 cents per pound all the year of late. Our groceryman always sells the butter at 5 cents more per pound than he gives us. This is satisfactory all around, as much as any plan can reasonably be expected to be. Of course, if we made much butter we might be unable to sell it for quite so much a pound. Our groceryman will have bought about \$850 worth of butter from us this year when this month has passed; the demand is so great that it causes the clerks some trouble to decide who shall have our butter when the number of pounds available varies. We expect to market eggs the same way, and have cartons ready, but, alas! not the eggs. (Price of the butter is cash.)"

The following case seems to present a problem which has been met successfully by parcels post. But even at the lowest figure mentioned butter is perhaps more profitable than most of the staple products:

"Our butter netted, or rather brought, us 30 to 35 cents per pound so long as local demand consumed the local supply. When local supply exceeded local demand, we got only 17 or 18 cents per pound. We sold to the local merchants, preferring to do this rather than make deliveries with so few pounds. Creamery butter throughout the time we have been here—three years—has never been below 30 cents. One of our neighbors made deliveries for 35 cents all the time, her customers preferring her butter to the creamery product."

In certain places, there are charges of unfairness against the creameries in the making of tests. In cases of this kind the farmers in many sections of the country have simply started their own creameries on the joint stock or coöperative plan.

In general the marketing of dairy products is satisfactory. Prices quoted are usually high compared to prices in other sections of the country. The regret is that the dairy business should have such a small development.

Poultry and Eggs

The selling of poultry and eggs is usually closely connected with the selling of dairy products. So far as the producer is concerned the market is in most instances local but the parcels post is modifying this the same as in the case of dairy products. Re-

cently, there came to our office by parcels post a test shipment of one dozen eggs from Long Island, New York. The eggs and paste-board package were in perfect condition when they arrived. Parcels post eliminates all middlemen by substituting the postage stamp. Here coöperation is not needed on a large scale because there is a direct relation between producer and consumer. Dressed poultry can be handled in the same way. It appears to us that the government by giving the producer and consumer the parcels post has given them the solution for every problem mentioned in the following case:

"We have marketed several hundred eggs, for which we have received an average of 15 cents per dozen only; sold to local dealers and consumers. Eggs were gathered up every day and carried to market twice a week. The price received was not very satisfactory. Have recently sold on the local market four dozen hens to a local dealer, who is buying and shipping, only paying 5 cents per pound, and I notice hens are quoted in Houston and other cities at 11 and 12 cents per pound. From these figures it seems that somebody must be getting something for nothing; the producer is not getting the worth of his poultry, and the consumer is paying a long price for what he gets, the producer getting 5 cents per pound for his hens, or about 22 to 25 cents per hen, and the consumer paying 12 cents per pound. What poultry (that is, hens) that go on his table at 50 to 60 cents per hen, or more than as much again as the producer gets, cannot be satisfactory with the producer or consumer."

In our effort to get at marketing conditions, we have welcomed information from merchants and dealers:

"To give you an illustration of marketing of poultry, I give you below some figures which may prove interesting. Suppose I pay the producer \$3.00 per dozen for two dozen chickens, which is about what the average shipping coop contains, and consign them to an honest commission man in San Antonio. Here are the results:

Sold by commission man for \$4.25 per dozen.....	\$ 8 50
Commission, 85 cents; express, \$1.00.....	1 85
	<hr/>
Net to shipper.....	\$ 6 65
Bought by retailer for \$4.25 per dozen.....	\$ 8 50
Sold by retailer for 45c each.....	10 80
Difference between cost and selling price.....	4 80

So you can see how this expense runs up on a small item right at home, we might say. The selling expense on two dozen chickens is \$3.80 and

the transportation expense is \$1.00, which don't look reasonable, but it is a fact, nevertheless, and I believe that I am putting it a little mild. . . . Now you will ask why don't the producer ship his own produce? He would if he wasn't afraid of being skinned. He has no confidence in the commission man, where he would have if the government was behind it to assure him a square deal, and the same chicken that he got only 25 cents for could net him that under my plan and go to the consumer at a little better than 30 cents, or give the producer 30 cents and charge the consumer a little better than 35 cents, and you would please both of them."

In other words, this means that the farmer receives \$6.00 for 2 dozen chickens, and the consumer paid \$10.80. Who got the difference of \$4.80? The shipper got 65 cents; the commission men, 85 cents; the express company, \$1.00; the retailer, \$2.30. If the retailer fed, he received \$2.30 minus the cost of the feed. In no case was the profit excessive. The trouble was that there were four parties standing between the farmer and the consumer.

Fruit, Truck, and Vegetables

The marketing of perishable produce presents more problems than any other phase of the marketing question. These problems are due to many causes but discussions at this time and place must be brief. It appears at times as if the whole vexatious condition was the result of the action of some middleman or agency. In general this is by no means the case.

In order to get a better understanding of the situation and conditions, and to show how some of the problems may be solved, we shall devote our attention to such questions as: preparing for the market; difficulties which confront the commission men; troubles met with in following a policy of consigning; difference between price paid by consumer and what was received by the producer; how home canning may help and what can be expected from coöperation.

It should be remembered that the Texas farmer has no monopoly in the production of early perishable produce. On the contrary, after the very earliest part of the season his products must compete with those from other states having a similar climate. To obtain and hold a market, the product must compare favorably with the products from other sections as to grading, packing, ap-

pearance, etc. On this point, a volume could be written. A dealer gets at the vital points in the following way:

"The marketing problem is one that requires long experience in locating reliable houses, closely watching the markets, keeping posted by wire daily or oftener, knowing what you can safely expect as a safe risk, buying only the best stock, and it properly packed, establishing a reputation for fair dealing, and living up to your agreements."

This dealer has not only given the producer a glance at the middleman's business, but he has also indicated what would pay the producer best.

Where there is coöperation to the extent that small producers combine in loading a car, there many difficulties arise. These represent the troubles which arise even if there were no middlemen concerned.

"Farmers have failed to learn the lesson of grading and packing, and as all farms in this section are too small for carload shipments singly, they have to join in loading, and the quality of the car is judged by the product of the most belligerent man permitted to load. Personally, I have suffered considerable loss from this cause, especially in sweet potatoes and cabbage, where inferior stock passed the inspector, or where sweet potatoes were not sufficiently seasoned to stand shipment. I have known instances where entire carloads of sweet potatoes have been lost because of the loading of a few sacks of freshly dug potatoes, generally because someone had made a short estimate of car capacity and the inspector would permit these to be placed in the car to fill. Of course, the chance was that they would spoil before reaching destination, and being the last loaded they are the first inspected on opening the car, and as a result the entire car is rejected."

"There were 1500 or more crates of beans shipped from this place last spring and two-thirds or more were packed in very poor condition. Many were refused by commission men, or prices were very poor."

The principles of quality, culling, grading, testing, packing, etc., form a science. To disregard these things is just as disastrous as to have no knowledge of transportation rates, lack of information as to the amount of product in the market to which products are sent or dealing with catch-as-catch-can commission men.

In the marketing of perishable produce, not all of the trouble is on the producer's side. As a matter of fact, it is quite likely that the greater part of the trouble originates with the producer.

The middleman has his side of the question:

"My experience is confined to cantaloupes and potatoes, and I lay the greater part of the trouble to the farmer. As to the cantaloupes, I handled two cars a year or two ago, when I first got what I thought and what was recommended to me as an expert packer to come and pack same for me. He had considerable trouble with the farmers trying to put off any class of stuff on him just to get rid of it, and I consider this one of the hardest points to overcome. I took the two cars to Kansas City and spent two weeks right in the market. When my stuff commenced to arrive I was ashamed of it. I put it alongside California and Colorado stuff, which came in there all separately wrapped and in a nice clean crate with nice labels, and looked very attractive, while my goods were not wrapped and my crates with no labels looked rough. Right here I found that the packing had a great deal to do with the selling of same. The goods were put on the market side by side, and the fruit vender would come in and look the two packages over. If he saw a single cantaloupe in my packing that looked the least bit off, he would refuse the crate, while he would feel one or two of the ones wrapped in the other crate, and if they were good he would pay from 25 to 75 cents per crate more for the wrapped goods. . . . As to the cantaloupes, you simply can't trust them to allow them to crate their own stuff at home, for there is always someone ready to put in a little bad stuff."

"Before coming to Texas I was in the wholesale produce business for seventeen years in Iowa, and I wish to state in the beginning that the commission man is blamed for a great many things for which he is not responsible. As an example of what has to be contended with, it is only in the case of a big surplus and a consequent overstock of the markets that he is able to get goods consigned to him. In times of scarcity and high prices he has to go on the market and pay the price for the goods. It is also not unusual for him to get the goods after they have been lying around in the railroad yards for several days, after having been rejected by some party to whom they were sold. In this case, he has to go on the market with the goods and get the best price he can, which is usually under the regular market, and this fact has a tendency to lower the price of the first-class product which has to come into competition with it. This grade of stock usually has to be handled quickly on account of spoilage, and when the shipper gets his returns there is no question what he would reasonably expect from the condition of the goods when shipped and thinks he has been robbed by the commission man, and there is no doubt but that the shipper is taken advantage of in a good many cases of this kind. Another thing that must be remembered, and that is the manner of packing goods in an honest manner. It is next to impossible to get a car of goods that are packed honestly all the way through, and there is another place where the commission man loses a lot of his profits, as he cannot inspect but a small per cent of the car he receives, and while all shippers

are not dishonest, the dishonest ones must be made to pack their goods right for the good of all."

One of the most frequent complaints against the middleman and the policy of consigning is summed up by these experiences:

"In a few instances when the market was overrun we have shipped to commission merchants generally with unsatisfactory results. Sometimes getting such reports as this: That our produce being too long in transit was received in very bad condition, and had to be sold for about what the freight charges came to."

"I had the handling of several carloads of peaches in charge during the season of 1912. The peaches were fine and well graded, and we made a contract to let a company have them for 50 cents. There was a large crop of peaches that year, with the result that prices went down, and we received a message from the party with whom we contracted stating that the peaches were not up to specifications. We were completely at their mercy, the peaches were perishable, and we had to sell them, so we let them go to a Chicago firm, some bringing 9 cents, others bringing nothing. I became so disgusted that I traded my orchard off and came to this place to try trucking. I find there is some difficulty here along the same line, so I guess there is no use in running. If we could get reasonable rates and men could be placed along at the large stations to look after shipments as they pass through, we might be able to get our produce to the consumer and realize some profit from it; that is, if we could have representatives at the point of destination to see that the stuff was properly graded also."

"Have had but little experience in shipping from this section, but will state what I did once in shipping from my old home in Louisiana. I shipped five crates each of Elberta peaches to four different dealers in St. Louis, Mo., and the peaches were picked the same day, packed by the same packer, shipped the same day by express, arrived the same day in St. Louis, were sold the same day, and the result was: I got net from the four firms I shipped to, and all charging the same commission: \$1.47 net, \$2.42 net, \$4.87 net, and \$5.00 net each for the five crates. . . . Can you give a reason why? I can't, unless it was robbery."

Most truck and fruit dealers and growers know that experiences similar to the above are rapidly disappearing where growers are organized and have their personal representatives at destinations.

One of the most pressing problems in marketing is the great difference between what the producer gets and what the consumer pays. Upon this difference hinges the whole question of limited

production because of a low price and limited consumption because of a high price. Abundant evidence can be had of this enhancement of price. The following are examples:

"I own and operate a large irrigated farm and have been raising Bermuda onions, lettuce, beets, and other truck which we can raise in large quantities. However, on account of such poor prices obtained for our products we are now being forced to resort to other means for a livelihood. . . . Season of 1913 I could not realize even 2 cents per head for fine head lettuce, when at the same time such lettuce was being retailed in Dallas and other cities for 15 and 12½ cents per head to consumers. It is quite obvious to me that we have to contend with entirely too many commission men throughout the entire United States."

"The trouble with the truck is the distribution, as also with fruit. I will give one example: In 1912, I was in a vineyard and the grapes were going to waste, and seventy-five miles from there the same quality sold at 12½ and 15 cents per pound. You ask why they were not shipped. Both places were on the railroad and the same system, but when a package was started there was no assurance it would get there."

"Relating to some experience in 1912, I dumped several carloads of cucumbers, besides what was never picked from the field. The commission house could not sell them, cause given, market overstocked. By investigation at Chicago, I found that the retail price was not below 5 cents a piece, and thousands of people never will enjoy a cucumber at that price, and I know that to a consumer that is a prohibitive price and blocks the demand for them, which soon results in an overstocked market. Cucumbers at that price are at about the rate of \$3.00 per Texas standard crate, and we were dumping them for want of demand (reported at any price), while 50 cents per crate delivered at Texas common points is a good price for the cukes, which is less than 1 cent a piece. Allow another cent for freight and other expenses, there is no reason that the consumer should be taxed 3 cents more for a little cucumber."

"In 1910 we formed a watermelon association, elected a business manager, and paid \$80 for a 'Blue Book' to give us all the inside information in regard to produce dealers and commission firms. And shipped fourteen cars of watermelons to different parts of the North. They all praised us in regard to the loading of the cars and also the quality of the melons. One car sold in Kansas City for \$10; not enough to pay freight and other expenses. One of our townsmen was in Kansas City the same day, and the class of melons we shipped was retailing for 60 cents a piece. That year's business left us to pay, at the least calculation, \$200, but the figures I haven't at hand. The trouble in this case seemed almost wholly with commission men. Our country is new and we haven't had much experience yet, but all that we have shipped out we have shipped at a loss. I am

sending you a letter which will explain itself in regard to another load of watermelons."

"I sold some tomatoes, thirty crates, by express. I received \$8.40, and some I did not get anything for. I had in one car 590 pounds of cabbage. I did not get but \$5.80 from thirty bushels of potatoes, yet we will plant four acres to tomatoes again, hoping prices will be better."

"I sold ten tons of watermelons to local dealers; eight cars of sweet potatoes to local dealers, sacked and put in car: Two cars at 70 cents per bushel; one car at 60 cents per bushel; four cars at 55 cents per bushel; one car at 50 cents per bushel. Our potatoes went to Greenville, Farmersville, McKinney, and Bardwell, and sold for \$1.50 per bushel."

"For instance, I sell a barrel of spinach or lettuce here. I get here at cash deal, \$1.50, or somewhere in the neighborhood of it; when that reaches St. Louis it sells for about \$5.00; commission on that is from 50 to 75 cents; express, \$2.50; icing and barrel, 50 cents, which in all is \$4.50 or \$5.00. Consumer at that end of line pays at the rate of 5 cents per pound, and sometimes 10 cents, which will retail at \$8.00 and more a barrel (there is always from 150 to 200 pounds to a barrel). I have seen lettuce sell at 15 cents a head that won't make a pound to a head. The farmer who raised it only got about 1 cent a head, and lots of times $\frac{1}{2}$ cent; a man in a city who eats such vegetables must pay for some barrels at the rate of \$10 to \$15 a barrel, which makes too much profit for the middlemen who work at the business. When we ship through an association we get \$1.50 to \$2.25 per barrel, and it sells at the same price as before, and the consumer gets it at a little less because they go direct to market men. What we need is a standard marketing plan through the government, the same as the postoffice."

"Two years ago our potatoes were bringing 35 to 50 cents here in May, and were sold in retail stores in Joliet and Blue Island at \$3.00 per bushel. As freight is about 30 cents per bushel, the farmer of Caney evidently did not get a fair price. . . . Our potatoes are sacked, the average sack weighing 115 pounds, with an average of 220 sacks to the car. I shipped this year eight cars through the association. Their charge is 7 cents per hundredweight, or an average of \$18.18 per car, plus \$10 brokerage, bringing commissions to \$28.18 per car. My point here is the unreasonable payment of two commissions by the farmer, though I averaged 42 cents per bushel. My net profit on thirty acres was \$23.31. I know of several men who either had to pay freight charges or received two or three dollars net for a car of spuds. These potatoes were shipped in June and July, through commission men. I believe a fair price to growers of early potatoes for Northern markets should be \$1.00 per bushel F. O. B., at least, judging from five years' experience."

During the coming year we shall make a study of the causes of

failure and success of coöperation in Texas. Many truckers' associations have either failed or are inactive. Dozens of others in different parts of the state are making money for their members. The success of these warrant us in advocating coöperative buying and selling. The following cases are cited merely to show what may cause the failure of local associations, what type of problems may be solved and how success may be attained. For the principles of coöperation, the reader is referred again to Chapter I.

"We had a very good association here in 1912, and I acted as sales manager. Most of our vegetables were sold through commission men, and although I still believe most of those people are honest, I must say I was sometimes very much disappointed with the returns received. We handled twelve cars of cucumbers, ten cars of Irish potatoes, about twenty cars of yellow yams, besides various other small truck, all of which was sold to commission men. All of our stuff was put out as attractive as it was possible to make it, and we made it a point to send out excellent grades."

"There were sixty-four solid car lots of tomatoes shipped from here this season, 1913, and fully one-half as much express, bought and shipped by merchants, including all kinds of vegetables. There were some that had extra early and heavy yields per acre that did very well. We are not satisfied with the present prices, owing to the heavy expense of producing. The price for the first few crates is very satisfactory, but before we can get anything near half of our crop off, the price runs down so low that, as a general rule, there is very little money in picking. The people are doing much better since they have organized and hire their own salesman. Crates cost from 3 to 4 cents less than before. Fertilizer, \$8.00 to \$10 less per ton; seed and everything else in proportion. We pay our salesman 3 cents per crate for selling in car lots, he furnishing all his own help."

The difference between what the producer gets and what the consumer pays can only be cut down by eliminating the people who get that difference. This can be done only by the process of coöperation on the part of producers and consumers. It is not sufficient that growers organize and then sell as an association to the same middleman to whom the individual producer might have sold. This merely means a small increase in price for the producer, but the middleman will still control the situation entirely by maintaining the present high price to the consumer and thereby keeping the demand down to a minimum. Coöperation must do for perishable products on a larger scale what the parcels post has done for butter and eggs or could do for fruit and vege-

tables in small amounts. Coöperation will succeed only when it proves itself more efficient than the middleman.

Under present conditions there is a large and undeveloped market for perishable produce within the borders of our own state. Again there is the possibility of the home canner and the saving of surplus stock. The following are given as examples of what may be done in this way:

"I market plums, peaches, black and dewberries, tomatoes, melons, and a number of good hogs. My stuff is always well prepared for market and generally commands top prices. I always sell and buy as an individual. I have sold quite a lot of fruit and truck through a commission merchant in San Antonio very satisfactorily. I've never shipped anything when I could find a good market at home for my stuff. Prices with me are generally satisfactory."

"My best results were selling to grocery merchants in places some distance from wholesale houses. I wrote to express agents at these places and got names of retail grocery merchants, and quoted them and sold direct. I was enabled to sell cabbage, for instance, at $1\frac{1}{2}$ to 2 cents per pound, with no loss, as they accepted my weights; whereas, my neighbor shipped in carloads to wholesale houses and got from $\frac{1}{2}$ to $\frac{3}{4}$ cent per pound, after loss was taken out. He loaded in bulk."

"We raise vegetables and strawberries in quantities large enough for shipment. We packed in one-third bushel boxes and crates, or bushel boxes. Some commission men dealt fair with us; others took every advantage possible. I often shipped from forty to fifty crates of tomatoes daily at good prices, from 75 cents to \$1.00 for one-third of a bushel. In February and March our strawberries brought \$7.00 a crate. For some years we have shipped very little in our own name. We sell to a merchant in Rockport. When we have a fair idea how much we will have for the day we call him up and ask him what he is paying then, and when he wishes the stuff shipped. We find this far more satisfactory; then we run no risk and know just what we will get before we let it go out of the packing house. . . ."

"A certain farmer had four acres of tomatoes. From these four acres he canned several thousand cans. Of the four products—figs, tomatoes, beans, and peas—he canned with a home canning outfit about thirty thousand cans. In this way he was able to fix his own price for his product. These canned goods were carried to the Beaumont fair for exhibit purposes. The farmer sold all of these products, and could have sold more. The goods were sold to two retail dealers in Beaumont and to some private parties from different points. It was stated that he had tried to sell in bulk to a wholesaler. The wholesaler would not talk about the farmer's price, neither would the farmer consider the price offered by the

wholesaler, as it was about 55 cents less per case of two dozen two-pound cans; but when he got in touch with a retailer he sold at the price which he asked of the wholesaler."

"Last year I sold canned fruits and vegetables to the amount of \$50. I advertised in a Dallas daily, and most of my customers were from that city. I received many orders without remittance for same. To these people I would send personal reference and state I could not ship goods without check for same. But I never received an order from anyone I refused to send goods to. However, many would send cash with order. I still have these customers this year. I find I receive very little money for my produce, as it costs so much to deliver. Express on small packages eats up the profit. But I find it equally as cheap as to deliver by parcels post. . . . I have 200 bushels of sweet potatoes. They are rotting fast, but cannot find a market for them. My highest offer is 40 cents per bushel, sacked F. O. B. at Mt. Pleasant. Sacks cost 9 cents each, and to haul eight miles over rough roads, you see would leave me scarcely anything for my potatoes. For this reason I am feeding them to my hogs. I have written several letters to Dallas houses, offering my potatoes at 80 cents per bushel. They say that the transportation will make the potatoes too costly."

Cotton

As stated on a previous page, three out of every five farmers furnish information on the marketing of cotton before they pass to another subject. By far the greater majority are much dissatisfied with present conditions. But there are those who from one reason or another have found the market either satisfactory or fairly so. We give a few examples:

"I raised and marketed at the local market twenty bales of cotton at an average of 13 cents per pound. I marketed my cotton very early. Later in the season the price was much lower."

"I have marketed this year forty bales of cotton, which I received a good price for. I store away in a warehouse, watch the market reports and turn loose when a fair price prevails."

"We produced through labor on our farm over fifteen bales of cotton, and in regard to prices we were very well satisfied, considering the season. We got a five months' drouth and cotton did not open till late, and picking hard, and that run prices down, and we got late rain that caused mildew. Prices were better here this year than heretofore. The first prices here on cotton were from 12½ to 14½ cents."

"Have been selling my cotton locally, but shipped last bale to ——— & Co., Galveston. A neighbor has been making \$3.00 to \$4.00 net profit per bale by shipping his cotton to Galveston."

"The price was satisfactory for us. As we plant early, our products always are the first on the market; our cotton yielded an average price at 12½ cents per pound. We need but 1400 pounds of seed cotton to make a bale of 550 pounds. The bale will bring \$68.75; the seed of one bale averages to about \$7.75, so the bale with seed and wool together yields \$76.50; the expense for picking is about \$11, so it leaves us \$68.50 per bale."

"I market cotton and cotton seed from 100 to 200 bales and from 50 to 100 tons of seed properly prepared for market. I grow it on my farm, sell at home when prices are satisfactory, consign when prices are below 10 cents per pound. When I consign I ship to the commission merchant, who sells when told to do so. I get market price, don't expect anything more; always know what the price is when I order sold, hence have no complaint to make. Transportation is satisfactory. Sometimes delays arise, but never unreasonable. I look after my shipments and require my commission merchant to look after them. I don't expect too much, hence have no complaint to make and am satisfied."

As is too well known the difficulties of the marketing situation are numerous and the causes of dissatisfaction various. The cotton market is the study of a life time. It is hoped that our brief discussion and the material from which we draw it, will not only be of service to the growers but also to all those who are working on the problems connected with the South's greatest crop.

One cause of dissatisfaction is the variation between local and central prices: for example, eleven and one-half cents in the small town and two cents above that in the city. This difference causes greatest vexation when the cotton is due the local dealer because of book accounts. In such a case the grower sometimes goes so far as to advocate a fixed price.

If in any community the bankers, merchants and other creditors of the farmer date their obligations to be due at the height of the picking season, it appears self-evident that the cotton producers will of necessity bear the market. This means loss to all. It would mean much to the financial status of the community if credit could be arranged to accomplish some of the things that the advocates of the warehouse system desire.

Again it is reasoned by some that when the season first opens cotton is high, but after a few weeks the price drops and therefore the farmer loses ten or twelve dollars on each bale. It would be just as logical for the melon grower to say that because he can't grow watermelons for Christmas dinner tables he loses sev-

enty-five cents on each melon that he does grow several months afterward.

One grower reports a sale of eleven bales at thirteen and three-fourths cents as unsatisfactory and believes he ought to have had fifteen cents. In many cases the grower reasons from the basis of "justness" or "reasonable price." Price is not determined on this basis.

Prices in certain cases are regarded as unsatisfactory because of a fluctuating market and the growers' inability to keep posted on the same. Several farmers report unusually low yields and then argue as if their crop should be sold for enough to place them on an equal footing with their neighbors who have larger productions per acre. As is apparent, this has the fault of leaving cost of production entirely out of account.

There are farmers who remember the day when wheat was fifty cents a bushel; oats, fifteen to thirty cents, and for cotton six cents. To them the prices of the last few years are attractive but the rise in the prices of the materials used in production must also be kept in mind. In numerous instances twelve or twelve and one-half cents is regarded as a remunerative price, and it may be. That depends upon cost of production. The situation seems to be that those who are dissatisfied with such a price have no definite idea of cost of production, and therefore no account of profits. While hundreds of farmers say, "the farmer has nothing to do with fixing the price," not one says, "the farmer has everything to do with fixing the cost of production."

Little need be said concerning grading, because it has been so widely discussed. But it is interesting to note some difference in prices due to grading. In one case it was ten dollars a bale. In another, there was a difference of \$35.00 between highest and lowest. In one instance, at least, the work of a demonstrator agent to establish at the county seat, government cotton grades was defeated by the action of the street buyers.

The importance of grading could hardly be estimated in dollars and cents.

"The farmer is unorganized and buyers as a rule cannot depend on him for any amount of really clean marketable stuff; second, the buyers that we have generally do not grade the stuff they buy, but buy it by the dozen pounds, etc., which does not offer the producer much encouragement

to raise a better grade, and the buyer comes out even by making off of one what he lost on another, etc. Last year one of my demonstrators raised a bale of fine staple cotton and when he had it ginned he carried the sample to the different buyers in the town for prices. They all made a bid, setting the price at what middling fair was selling at, which was, if I remember right, $12\frac{1}{2}$ cents per pound. It happened that the last man he carried his cotton to consulted a Liverpool man, who was at that time here looking after the cotton interest of this place; after some few minutes of consultation between the two, which was strictly private, this buyer gave 15 cents per pound for it under the advice of the Liverpool man. I do not know what this cotton brought on the foreign markets, yet I think it is safe to say that it brought at least 20 cents per pound. This is only one instance where the farmer's products were underestimated. The same day of this transaction another farmer brought a bale of 'King's Improved' short staple cotton to the gin, and sold it at the price first offered ($12\frac{1}{2}$ cents), the one with the long staple. These conditions have existed for a long time, and will continue to do so until the farmers are organized, and sell direct to the manufacturers and consumers."

In selling to a street buyer, there is sometimes a variation of one-half to one and one-half cents on the same grade, on the same day, in the same county. Here is another example:

"I offered two bales of cotton for sale here this fall and was offered \$10.25 for it. I refused to take it, and hauled it fourteen miles to another town and received \$12.80 for the same cotton the same day."

"What I have, I have been in the habit of selling to local buyers at whatever price I could get. I find this so very unsatisfactory that I have most abandoned raising it. I have seldom gotten more than it cost to raise. I was raised on the farm under the old system of producing all you could of one or two commodities, and selling for what you could get. When I came to take up the work upon my own responsibility, I changed tactics. After studying conditions I selected the products that I could more or less control the prices of, and I find farming very pleasant and reasonably profitable."

Instances are given of where one small town has as many as three buyers but they take turn about in their bidding. Advocates of the warehouse system call attention to the fact that under a proper system of holding, street buying and selling would be eliminated. It would also be eliminated by a system of coöperative marketing.

The present system of handling cotton and the wastes incurred have received much attention, but little is being done to prevent great losses. Along this line we offer a few interesting examples:

"In the year 1911 I visited the Southeast African Colonial Exposition in Cassel, Germany. This expression was held to show the German people what could be done in their southeastern possessions in Africa. There was a bale of cotton from Southeast Africa, from Egypt, from India, from Peru, and one from the United States. That was one time when I was ashamed to be an American. All the bales were neatly wrapped. No holes in them, no cotton exposed, and plenty of ties around them. The American bale looked like a tramp, full of holes, which had been patched up with a variety of materials, and cotton sticking out everywhere. I thought that this tramp-like looking bale had been selected purposely, but later I saw thousands like it in Bremen and in Liverpool."

"Cotton, I think, should be put up in better wrapping, sampled and weighed at the gins under bond, and not allowed cut away. I am weigher and classer here, and out of 3200 bales I have got eight bales 500 pounds each loose cotton and only took the samples that would have wasted. A burning shame. Every cotton market should have a weigher and sampler at the gin. And again, we should have government or standard types or class on hand all the time during cotton season for comparison. I have a full set of government types, but some buyers say they are too full, others say they are too shy, all of which goes to prove that out of our present wasteful system and haphazard way of classing we should certainly evolve some way that would make a middling bale of cotton be a middling bale anywhere."

Because of limited space we have omitted from these pages most of the plans, schemes and ideas which have been proposed to us as sure cures for various ailments. But there is a preponderance of opinion when it comes to doctoring the cotton market. The following opinion speaks for dozens:

"It would help some if the government would require every gin man to be qualified to grade cotton, and he should be put under bond, and from every bale of cotton that he gins he should retain a sample, and number it, and also number the bale to correspond; hence, we could sell by the sample and never have to cut the bale. There must be something done."

Again there are some who desire a Bureau of Information established by the government for the purpose of giving out statistics of consumption every sixty days. Some avocate a government purchasing agent in every town. Others go no further than to advocate open telegraphic reports from the exchanges and a public exhibition of standard grades.

It is quite generally believed that if the ginner were put under bond, his weight and grade would be accepted by all who handled

the bale. This would do away with future cutting, sampling and robbing. Insurance rates would be lower as risk would be less.

One party makes the interesting suggestion that those who are able should follow the policy of former days by storing the crop in the seed and ginning as the spinners need it. This plan has the advantage of improving the lint, of making a more constant use of gins and labor, and having fewer gins. It would tend to remove the conditions of a glutted market and so equalize prices as to prevent the mistake of planting a great acreage on the strength of high spring prices.

For other examples of success in handling cotton or other products mentioned in this chapter, through coöperative action and methods, the reader is again referred to that part of Chapter I which discusses "Types of Farmers' Organizations."

CHAPTER III

RURAL CREDIT

INTRODUCTION

During the past few years, the subject of financing the farmer has been more widely discussed, perhaps, than any other subject connected with rural life. It is not our intention to go into a discussion of the entire subject in this chapter. We expect rather to interest the farmers in the material which is now in print on this subject. In the back of this bulletin will be found a list of books and papers which may be obtained without difficulty. In their pages will be found information concerning every phase of rural credit and finance. The Division of Public Welfare will not only be glad to aid in securing these books and papers for all who apply for them, but will give personal assistance and aid in any case where a credit union is either contemplated, or is in process of formation.

In spite of the fact that this subject has had wide discussion, there is yet need for a more extended campaign of education. Indeed, it is along the line of education, leadership, and personal service, rather than along the line of legislation, that there is the greatest need at the present time. Mr. Leonard G. Robinson, a leader of the Jewish farmers in America, has stated the situation very well: "What is needed is not a commission of study but one of action. We have learned all that we are going to learn of the European credit systems without actually putting our hands to it. To my mind, in order to establish coöperative credit in the United States, we must have (1) legislation to facilitate the incorporation of such associations; (2) education to bring to the American farmer a true appreciation of the benefits of such associations; and (3) organization, that is, leadership to perform the actual task of organizing and starting these associations."

The Nature of Capital

A great many people have a wrong notion about capital. With some people it means only money, and, in many cases, a great deal of money. This is not the right idea. Capital is stored-up

savings, and all capital is a result of saving. In order that capital may be accumulated, somebody must produce more than they consumed. It is evident that if all of a workman's wages are spent, and used up as fast as made, that he will never have any saving. But as soon as he begins to save something, then he comes into a position to be a capitalist. If he uses his savings to produce something else, he is then a capitalist. Whether he is a capitalist or not does not depend on the amount of his saving. Of course, if he is to do much producing, he must have a considerable amount of capital. These savings may take any one of a greater number of forms. They do not need to be in money at all. Indeed, money is a representative or a measure of true capital goods.

The farmer is just like the wage-earner in this respect. If he expects to be much of a producer, he must have capital. That capital must come either from his own savings or the savings of some one else. What the farmer really wants is not money, but implements, tools, live stock, and other things which help to produce the crop. The only reason why he ought to want this capital is because, after he has used it in producing his crop, he cannot only pay for the use of his capital, his land, and his labor, but have something left out of the crop that he has produced. What he has left becomes a part of his wealth, and if he uses it for further production, it becomes capital, whether it be large or small in amount.

Why Should Farmers Borrow?

Farmers should borrow because they cannot save enough out of their own production to allow them to keep up with the amount of capital which they should use in their business. In other words, the safe and sane kind of borrowing is that which borrows for a productive purpose only. Because, at the end of a certain time, if the loan has been used in the right way, it has produced enough to allow the borrower to repay the loan with its interest and have a surplus left. Just here is where we have some trouble. The system of credit that so many thousands of farmers use is too well known to need any explanation here. At another time, we have said that the farmer who depends on one crop and runs a credit account with the guarantee that he would pay his debt

when that crop was produced, stood in a financial position which might be represented by the equation that the merchant plus his goods equals the farmer plus his crop. That when the time came to "settle up," it was usually found that the merchant plus his goods minus the farmer plus his crop equals nothing. This is not the fault of the merchant, although he may contribute to some of the trouble because in selling goods on credit, it is necessary to sell them for more than it is when they are sold for cash. The point that we want to notice here is, that if the farmer has nothing left at the end of each year for ten years, he is not any nearer to being a capitalist at the end, than he was in the beginning. In the present credit system, the farmer himself contributes some trouble because he buys for two purposes; first, for a productive purpose, and, second, for consumption. By consumption, we may mean a number of things, but most of all, perhaps, food and clothing; unless, of course, he has enough credit to buy a consumptive good like an automobile, or anything else that he may want to use for his pleasure rather than to aid him in production. In a general way, buying or borrowing for consumption only, is to buy or to borrow something, and find out when it is used up and gone that it has not left enough to repay what it cost.

In many cases, the fact that a man did possess credit has been a detriment rather than an aid, for he has bought without asking the question as to whether what he was buying, when it was used up, would leave him in better condition than he is at the present time. Unless a man is possessed of the judgment which will enable him to know when to enter into an obligation or incur a debt, for a productive purpose and when to incur a debt for a consumption purpose, the credit which he possesses with his merchant or banker, becomes, in his hands, a gun that he is sure is not loaded. The credit system that the country is now using is dangerous even in the hands of a person possessed of more than the ordinary or average degree of foresight, industry, business sense, and management. This is due in a large measure to the extended time for which book accounts run. The day when the debt must be paid is so far in the future that it completely balances or over-balances the fact that we are buying something which is not needed. But when the day to "settle up" comes, the cost price

for it just as the cost price for the most useful article obtained must come out of the crop.

A Low Interest Rate

It has been suggested that the Federal Government loan to farmers "as a class" at a low rate. If the farmer is "the backbone of the nation" he will resent the idea of any favor because he belongs to a class. This is not a question to be settled by paternalism. The low interest rates paid by the European farmer, about which so much is being said and written, did not begin in this way. The lowering of the rate began not with the government and its millions plus legislative enactment. It began with the folks and coöperative organization. Coöperation is a question not of the law but of the spirit. The German who belongs to the *Landschaften* as a mortgagor does not need to ask a favor from his government because his farmers' organization has sold its bonds on the money market above the bonds of his Imperial Government. The German farmer by private initiative went into the horn of plenty through the little end. It had but one other place where he could come out.

Interest is that which is paid for the use of capital. We usually think of it in terms of money, and as a certain fraction of the principal, but there is no need for us to do this. We do not think of share rent in terms of money, although it is as much rent as is cash rent. The rate of interest is supposed to be regulated to a certain extent by law. In Texas it is unlawful to charge more than 10 per cent interest per annum. Every one who has had anything to do with borrowing or lending knows that this law is constantly violated. One of the most frequent ways in which the law is violated is to charge ten per cent interest and have the loan run for less than a year's time. If there is a loan at ten per cent, and it runs for only nine months, that is the same as thirteen and one-third per cent for a year. There is another law which has more to do with regulating the interest rate—it is the economic law of supply and demand. If there is a small amount of capital, and everybody wants it, then the interest rate will be high, and that is the situation in Texas at the present time. Why should there be a small amount of capital? Be-

cause the majority of producers have consumed as fast as they produced and there has been no savings. Our State is yet young. If there are no savings there can be no lenders, but there will be a great number of borrowers. When there are a great number of borrowers, it will follow that they will bid for capital, and of course bid up the price which is the interest rate. Reverse the case, and have each farmer with a surplus of savings, and you will have the majority of people in a position to lend, and the lenders will be bidding the price of capital down, because the minority of the people want to use it. This is the situation in a number of the older countries. They have more lenders than borrowers, and, as a result, they have a lower interest rate, and it would be lower even than it is, if much of their capital was not sent away from home for purposes of investment. In Texas, of course, we would like to have such capital, and if we make the field attractive, it will come to us just the same as a piece of iron will fly to a magnet, but we should remember that when it comes in the form of money, it represents a certain amount of wealth that has been created and stored up in some other section of the world. Let us use the example of a manufacturer of farm machinery; if out of his business, he saves ten thousand dollars and by investing it, it finds its way into the State of Texas as a loan, and at the same time his farm machinery finds its way into the State of Texas, it would be quite possible to take his money loan and purchase one of his farm machines. Now, his money has gone back to him, and we have kept the machine. We continue to pay interest on the loan, but what we are really paying for is the use of the machine. When the machine is used up, it should have produced enough to have paid its original cost, for its use and leave a surplus. If this could be said of all capital used in farm production, it would not be long until the State of Texas would be independent of outside capital, and we would have at home more lenders than we have borrowers. At least, we could cut out the wasteful method of borrowing for consumptive purposes.

We pause here, for a moment, to remark that we have no sympathy with the idea of the government issuing any kind of currency to be used by the farmers at a low rate of interest. Capital is a product of land and labor, through saving, and not the product

of a printing press at the dictum of the government. For the individual farmer, going to town with a full wagon and going home with an empty one, will reduce the interest rate quicker than the unanimous dictum of all the solons gathered beneath the capitol dome.

The rate of interest varies with the demand for and the supply of capital. The average farmer's dinner table is not overloaded but too often supplied from the commercial world. Bacon, meat, butter, canned goods, dried fruit, in fact everything bought, is capital until it reaches the consumer and when the farmer uses this capital from the commercial world he must expect to pay interest and commercial profits for the privilege. A good method to begin with to lower the interest rate would be "to live at home and board at the same place." When the farmer goes to town with something to sell on each trip, he enters into commercial exchange where one form of capital is traded for another and there is no need for capital to carry the wasteful credit system which now exists. Hence, follows a less demand for capital and it is interpreted in terms of a lower interest rate.

Farm Loans in Texas

Up to the present point, we have been considering the general financial situation and farm credit conditions. Let us now turn to a more definite examination of the financial situation in which the Texas farmer finds himself.

The following remarks on short-time loans to farmers are based upon evidence gathered in 110 different cases in ten different counties. They cover the years 1912, 1913, and 1914. The total amount of the loan is \$27,779.00 or an average of \$252.54 each. The average rate of interest is 10 $\frac{4}{11}$ %. The average time of the loan is slightly over seven and two-fifths months. The smallest loan recorded is \$20.00, and only four are over \$600.00. The interest rates vary from 8 to 15 per cent. The prevailing rate is ten per cent. As to time of loans, there are two payable on demand, and the others vary from one to twelve months. The nature of the security given for these loans is interesting. Under the heading of chattel mortgage or lien against crop, stock, or cotton, are seventy-five loans. Personal security is given in

eighteen cases. Note and endorsement, which is the same thing, perhaps, as personal, is mentioned in four cases. Vendors' lien is mentioned in two cases, and an open account, in one. In ten cases, no security was required. The purposes for which the loans were made are worthy of note. Supplies, expenses, and to make crop are given in seventy-one cases; to pay old debts, five cases; cattle and feed together, seven cases; teams, payment on land, to make improvement, and machinery, two each; while in nineteen cases, the purpose of the loan is not given.

We have compiled another table of twenty-five loans on short time to renters only. These loans are distributed in eight different counties. The total amount of the twenty-five loans is \$4949.75, or an average of \$197.59 each. The average rate of interest is ten and one-seventh per cent. The average time for which the loan runs is seven and nine-tenths months. In three cases, personal security is given; in two cases the landlord has given his name; in two cases no security is given; and in eighteen cases the loan is secured by chattel mortgage. In two cases the loan was used to pay a debt; in one case, to buy feed; in four cases, the purpose is not given; and in eighteen cases the loan was for the purpose of buying supplies or making the crop. Less than one-fourth of the loans amount to more than \$250.00 each.

The following figures refer to forty real estate loans in eight different counties. The total amount loaned is \$115,521.00, or an average of \$2,888.03 per loan. These loans were granted on an estimated security of \$244,525.00. The amount loaned is, therefore, forty-seven and one-fourth per cent of the estimated value of the real estate back of it. The average rate of interest is eight and one-fourth per cent, and the average time of the loan is twenty-six and three-fourths months. While the average value of the loan is \$2,888.03, the average value of the property back of the loan is \$6,113.13. The purpose of the loan in five cases was for improvements, in five cases for vendor's liens, and in twenty-seven cases to purchase land. The smallest loan recorded is \$150.00, and only six are for more than \$4,000.00.

In comparison with the farm loans given above, it may be interesting to give the figures relating to fifty loans to business men located in nine different counties. It should be noted here that all of these loans, as well as all of the farm loans given above,

are located in not more than ten different counties, from north to south in Central Texas. The total amount of the loans to fifty business men is \$66,829.50, or an average of \$1,336.59 per loan. The average rate of interest is a shade less than nine and one-half per cent. Five of these loans were payable on demand, and the average time of the other forty-five was one hundred ten days. The exact use of these loans is not given, but nearly all of them went directly into the business. Ten of them were secured without any security being recorded, and twenty-nine were secured on personal security with endorsement in a very few cases. In only seven cases is chattel mortgage mentioned. Thirty-one of these loans were for less than \$1,000.00, nine of them from \$1,000.00 to \$2,000.00, and ten of them over \$2,000.00.

The following table shows into what divisions the one hundred and ten short-time loans to farmers may be classed so far as the amount of the loan is concerned:

Amount.	No. of Loans.
Loans below \$50.....	4
\$ 50 to \$100.....	16
\$100 to \$150.....	24
\$150 to \$200.....	14
\$200 to \$250.....	13
\$250 to \$300.....	9
\$300 to \$350.....	5
\$350 to \$400.....	4
\$400 to \$450.....	6
\$450 to \$500.....	5
\$500 to \$550.....	1
\$550 to \$600.....	5
Over \$600.....	4
Total	110

Three provisions of the Rural Credit Law as it now stands on Texas statutes are, that no loans shall exceed \$200.00 in amount, that no loans shall be granted for longer than eight months, and that the rate of interest shall not exceed six per cent. From the one hundred and thirty-five loans granted to farmers, as given above, we find that seventy-five of them are given for a longer period than eight months, that the number of loans exceeding \$200.00 in amount is sixty-one, and that the average rate of in-

terest is about ten and one-fourth per cent. The discussion of this interest rate will be made elsewhere, but it should be noted here that if a credit union were organized under the present law, it would first have to overcome the difficulty of taking about four per cent off of the prevailing interest rate, besides granting loans for a shorter time than is now customary in the majority of cases shown by our figures, as well as being compelled to give less as a loan than is now given in over forty-five per cent of the cases. We do not maintain that this would be true for the entire state, but it is true in so far as our own figures are concerned.

There is little need that we should spend any time in discussing further the facts which are brought out above concerning farm loans in Texas. It seems evident that they produce sufficient grounds for a campaign for improved financial conditions with the farmer. It should be remembered that the statistics from which the above information is taken were not furnished by the farmers, but were furnished by the bankers, and they are in no way biased by personal opinion.

Instead of discussing our present conditions, let us turn our attention to a discussion of how the farmer may remedy the situation through coöperative action and association. In doing this, we shall not draw upon the experience of the European farmers. If the reader is interested in what they have done, we again refer you to the list of publications in the back of the bulletin, which contain full information on all systems now in use. It appears that it will be well for us to use an example, or two, of successful financial coöperation in this country, and to suggest the way in which the present Texas Rural Credit Law may be used as a basis for similar organizations. Since the examples that we shall use, as well as the Texas Rural Credit Law, are concerned with short-time loans to farmers, it may be best to first notice one or two phases of long-time or real estate loans.

Farm Mortgages

The word *mortgage* comes from two words. The first is the word *mors*, and the second *gage*. The first means death, and the second means a pledge. To a certain extent in our own country we have given this interpretation to the word, for it is believed

particularly where a man has at one time had the ownership of unincumbered land, that if he puts a mortgage on it, that he has really given the death pledge to some of his future hopes. It is quite within the truth to say that mortgages have never been looked upon with any degree of favor. This is due perhaps to the fact that most mortgages represent either unpaid amounts for the land held in possession or have been placed upon the land when there was dire need or distress. We have never looked upon the mortgage as a means of investment, and yet there are thousands of the European farmers who so regard them. But there are many differences between the use of the mortgage privilege in this country and its use in Europe. Here mortgages run for only a short time. Interest is usually paid each year and the sum total of the principal at the end of the stated interval. It too often follows, therefore, unless there is shrewd business management, that the longer the obligation stands, the more dreaded is the day when the principal must be paid. In this country there is personal relationship between the man who gives the mortgage and the man who loans the money on it. In Europe this is not true. In Germany, the *Landschaften* Society with its bonds issued against mortgages stands between the borrower and the lender. Mortgages run for a much longer period of time than in this country; for example, twenty-five to seventy-five years. The German pays his interest as it is paid in this country, but when he pays his interest he also pays a certain fraction of the principal each year so that, at the end of a certain period, he has not only paid his interest regularly, but he has made enough payments on the principal to completely wipe that out. It follows, therefore, that he does not dread the coming of a time when he shall have to pay the sum total of the principal. The same amount is paid each year, but the annual payment includes not only the interest but also the amount which goes toward paying off the principal. The following table, called an amortization table, shows how \$1,000.00 may be repaid by an annual payment of \$70.00 in twenty-six years, the rate of interest being five per cent:

Years.	Interest.	Amortised.	Balance Due.
1	\$50 00	\$20 00	\$980 00
2	49 00	21 00	959 00
3	47 95	22 05	936 95
4	46 85	23 15	913 80
5	45 69	24 31	889 49
6	44 47	25 53	863 96
7	43 30	26 80	837 16
8	41 86	28 14	809 02
9	40 45	29 55	779 47
10	38 97	31 03	748 44
11	37 42	32 58	715 86
12	35 79	34 21	681 65
13	34 08	35 92	645 73
14	32 29	37 71	608 02
15	30 40	39 60	568 42
16	28 42	41 58	526 84
17	26 34	43 66	483 18
18	24 16	45 84	437 34
19	21 87	48 13	389 21
20	19 46	50 54	338 67
21	16 93	53 07	285 60
22	14 28	55 72	229 88
23	11 49	58 51	171 37
24	8 57	61 43	109 94
25	5 50	64 50	45 44
26	2 27	67 73	0 00

On a previous page it was stated that the average time for forty real estate loans in Texas was less than twenty-seven months. It will be noticed, therefore, that the farm loans granted under the amortization plan used in this table run for about twelve times as long as the average of our forty Texas loans. In the case of a Texas loan, the principal which is paid at maturity is, perhaps, a greater problem than the high rate of interest. The importance of this subject of real estate loans in Texas may be well brought out in a brief way by reference to some figures contained in the last census. The increase in the number of mortgages without any improvement in the system of dealing with them seems to demand greater attention.

A supplement to the 1910 census says for the State of Texas: "The number of all farms, and, therefore, of all farm operators, is 417,770. Of the farm operators, 195,863 are classified as own-

ers, 2,332 as managers, and 219,575 as tenants. Of the owners, 167,515 operate exclusively land owned by them, while 28,348 operate land which they rent in addition to that which they own. The tenants are classified according to the character of their tenancy; thus 184,753 are share tenants; 8,639 share-cash tenants; 17,549 cash tenants; while, for 8,634, no report relative to character of tenure was secured.

“While the total number of farm operators increased from 228,126 in 1890 to 417,770 in 1910, an increase of 83.1%, the number of tenants increased from 95,510 to 219,575, or 129.9%. The proportion of tenants has increased from 37.6% of all farmers in 1880 to 52.6% in 1910.”

The average number of acres in a farm in 1900 was 357.2, and in 1910 it was 269.1, a decrease of 88.1 acres or 24.7%. The average value per acre in the former year was \$4.70, in the latter year it was \$14.53.

Of the 195,863 owned farms, as given above, 128,082 or 66.7% were free from mortgage; 64,005 or 33.3% were mortgaged. There have been no census figures collected on exactly the same basis, but they have been collected on the basis of owned farm homes, for both 1890 and 1900. In 1890, 94.3% of our owned farm homes were free from mortgage, and only 5.7% were mortgaged. In 1900, 76.6% were free from mortgage and 23.4% were mortgaged. It is approximately correct to say that the percentage of mortgages on owned farms and farm homes was increased from 5.7% in 1890 to 33.3% in 1910. It is true also to say that “the absolute increase in the number of mortgaged farms was greater than that in the number free of mortgage.”

The number of farms in the state, as given above, is 417,770. Of this number, 334,765 have not more than 174 acres, and the remainder 83,005 have more than 174 acres. The Texas Homestead Law is supposed to prevent a homestead of less than 200 acres, having a mortgage put upon it. No figures are available as to how many farms there are having between 174 and 200 acres, but it is certain that the homestead law would apply to something less than 83,005 farms, because there is only that number having more than 174 acres in them. But as stated above, we have 64,005 mortgaged farms. It appears, therefore, that in

1910 out of a total of 417,770 farms, all farms that it was possible to mortgage were mortgaged except 18,997.

In 1910 of the owned farms, one in every three was mortgaged. If there were only 83,005 farms that could be mortgaged, and one in every three was mortgaged, then we had only 27,668 mortgages, but the census says we had 64,005 mortgaged farms.

This situation is made clear if we take the vendor's lien into consideration. As is generally known, the homestead exemption does not apply when the debt is due for the purchase money or a part of it. What is made clear is that only two of every three farms were free of incumbrance.

Jewish Farmers' Coöperative Credit Unions

It is not generally known that among the Hebrews of the United States there are several thousand farmers, but it is true that the Jewish people are going more and more from the sweat shops of the cities and from the commercial lines of work that they have followed in the past to the open country and agricultural pursuits. It is true also that they are carrying with them the same thrift, industry, and business management for which they have long been famed. In fact it has been true in numerous instances that they knew much more about the business side of farming than they did about the practical work, but the success which they have attained is worthy of admiration, and the benefits their financial success seems so assured that a short account of the financial success seems so assured that a short account of what they have been able to do and are doing ought to be of service to Texas farmers.

The Jewish Farmers' Coöperative Credit Unions have a valid claim to being the pioneers in this field in America. Referring to the establishment of a union in Massachusetts in December, 1913, one of their reports says: "This Union enjoys the distinction of being the first agricultural credit union in Massachusetts, notwithstanding the fact that the Credit Union Law of that state has been on its statute books since September, 1909. There are over twenty Credit Unions in Massachusetts, but they are all urban or industrial."

So far as the record shows, there have been no losses on the

part of any of the credit unions, excepting in one case and that was due to the fact that the union had its funds deposited with a national bank and the bank failed.

Mr. Geo. W. Simon, Western Agent of the Jewish Agricultural and Industrial Aid Society, gave a most interesting address at the First National Conference on Markets and Farm Credits, held in Chicago, in April, 1913. He referred to the fact that this Society, during an existence of fourteen years, had made loans to Jewish farmers in twenty-eight different states, to 2,568 farmers, amounting to \$1,494,437.91. This refers to loans made on second or third mortgages, up to the value of eighty or ninety per cent of the real estate owned. Such loans were made for productive purposes only, and really added to the value of the farm. The Society has collected back twenty-six per cent of the outstanding money. Last year, they collected \$100,000.00 in interest and principal. In addition to this, the borrowers had paid other people about twice that amount on prior obligations, which means that the people must have saved about \$300,000.00 in the one year. The third annual report of these Unions varies from these figures slightly by saying: "In fourteen years that the Society has been in existence, it has granted 2,800 loans, aggregating about \$1,800,000.00. These loans were made to 2,500 Jewish farmers in thirty-one States and in Canada." Mr. Simon states that the rate of interest on these mortgage loans is four per cent, and that, in many cases, the people had previously paid twelve per cent besides the bonus. After this modified Credit Foncier bank had been in existence for some time, it was found out that it was not suitable for furnishing short-time loans for such purposes as cancelling old debts, buying seeds, or fertilizer, and paying for labor. The next step was the organization of the modification of the Raiffeisen banking system. Mr. Simon continued:

"We come to a community, for instance, where there are twenty or twenty-five farms, and let them subscribe shares, \$5.00 each share. If a community will raise \$500, we advance to this community, this small organization, twice the amount raised, that is \$1,000. They are all jointly responsible for this \$1,000. We knew, in the first place, they were good enough; we simply discounted their moral character."

"Now, this small community had a small capital, say, \$1500,

among its twenty farmers, to loan in case of necessity. Why did we organize these small banks? The trouble is, where it comes to a large loan we could easily reach every one, because everything is under the personal supervision of our agents, but on small loans, we decided they can reach each other better than we can do; we wanted to teach them to govern themselves, and the result was that we have organized these credit unions under the Raiffeisen system. After they had the capital of \$1500, they were advancing small loans, not to exceed \$100, to each other, among the members, and charging six per cent interest."

The third annual report referred to above says: "In 1909 the society was prepared to attack the problem definitely and it was then and there decided to organize these Credit Unions as unincorporated or voluntary associations. Meanwhile the spirit of coöperation was growing among the Jewish farmers and the ground work was being laid for these Credit Unions through the organization of many local Jewish farmers' associations and their federation into the Federation of Jewish Farmers of America."

"The first credit union commenced business in May, 1911; 3 were organized that year, 5 in 1912, and 9 in 1913, making a total of 17 in operation. Eight of these are located in New York, 5 in New Jersey, and 4 in Connecticut. Each of them raised \$500 or more from the sale of shares to members and the Aid Society loaned them each \$1000¹ with which to begin operations. The form of organization of these Credit Unions is similar to that of the Raiffeisen banks—after which most coöperative credit institutions the world over are patterned—in so far as that system could be adapted to American conditions and to the peculiar needs of the situation."

Mr. Leonard G. Robinson, who has been a leader in the work of instructing and organizing the Jewish farmers, gives the following description of the Unions: "Shares in these Credit Unions are \$5.00 each, and the holder of one share has the same voice and the same rights as the holder of, say, one hundred shares. Membership in the Unions is open only to members in good standing of the local Jewish farmers' association. The entire membership of a Credit Union constitutes the General Assembly, which has the final decision on all questions. The direct manage-

¹Interest rate charged on this \$1000 is 2 per cent.

ment is in the hands of a board of directors consisting of the president, vice-president, secretary, and treasurer, who also constitute the Credit Committee, and are in complete charge of the granting of loans, and three other members who constitute the Supervisory Committee. The members of the board of directors are not eligible to borrow except by a two-thirds vote of the General Assembly in each instance. The loans are granted only for productive purposes or urgent needs. They are not granted for a period exceeding six months nor for an amount exceeding \$100. Interest is charged at the rate of six per cent. The security is determined by the Credit Committee, and is generally a promissory note with one or more responsible endorsements. Initiation fees and other charges, also so much of the net profits as has not been distributed as dividends, constitute the Reserve Fund of the Credit Unions." Then he adds the following significant paragraph:

"It is little early at this stage to attempt a discussion of these pioneer credit banks on American soil. Some of the effects resulting from an adequate system of coöperative credit have even at this early date manifested themselves in the communities in which these Credit Unions were established. The pernicious activity of the local usurer has been largely curtailed. The arrogance of the local storekeeper is in evidence no longer, and the farmer is now treated as a respected customer. The Credit Unions have endowed their members with a high sense of mutual responsibility, and have stimulated them to further effort in the direction of coöperation and mutual self-help."

This was written about a year before the following figures on achieved success were given out: "The table below contains a report of the operations and financial statement of these Credit Unions for September 30, 1913. As will be observed, they have an aggregate membership of 517 and a capital of \$9,165. They have been in operation for periods averaging a little over thirteen months, during which time they loaned out \$73,624.66, about eight times their capital. Their net profits amount to \$1,317.93; that is, at the rate of 13½ per cent per annum on their capital."

One writer (Mr. Isaac F. Marcossou) who has studied this practical system says, "it proves beyond a doubt that the whole harrassing problem of rural credits does not need legislation as much as it needs real leadership." As Mr. Simon said in Chicago,

“If you follow up the same system with experienced farmers, I am sure you can obtain much better results than we have obtained; only, go and do it.”

OPERATIONS OF THE JEWISH FARMERS' CO-OPERATIVE CREDIT UNIONS SINCE THEIR ORGANIZATION, UP TO SEPTEMBER 30, 1913.

Places Where Formed.	Commenced Business.
Fairfield, Conn.	May, 1911
Ellington, Conn.	May, 1911
Rensselaer, N. Y.	May, 1911
Briggs St., N. Y.	March, 1912
Lebanon, Conn.	March, 1912
Colchester, Conn.	April, 1912
Fallsburg, N. Y.	April, 1912
Hurleyville, N. Y.	May, 1912
Hightstown, N. J.	January, 1913
Parksville, N. Y.	January, 1913
Woodbine, N. J.	February, 1913
Carmel, N. J.	February, 1913
Flemington, N. J.	March, 1913
Perrineville, N. J.	April, 1913
Ellenville, N. Y.	April, 1913
Maplewood, N. Y.	April, 1913
Stevensville and Ferndale, N. Y.	April, 1913

TOTALS.

Number of members.....	517
Number of shares outstanding.....	1,833
Number of loans granted.....	1,103
Amount of loans granted.....	\$73,624 66
Number of loans repaid.....	754
Amount of principal collected.....	\$50,816 11
Amount of loans outstanding.....	\$22,808 55
Interest collected.....	\$1,900 35
Expenses.....	\$726 93
Total assets ..	\$27,487 56
Total liabilities ..	\$26,169 63
Assets over liabilities.....	\$1,317 93

The Catawba Rural Credit Association

Catawba county, North Carolina, is referred to by well known writers as being one of the progressive rural counties of the South. It is interesting, therefore, to find out what they are

attempting to do along the lines of rural credit. The Catawba Rural Credit Association of Hickory, North Carolina, was organized January 3, 1914, and embraces four counties. The list of officers of this association, as set forth in the printed copy of their constitution and by-laws, includes a President, Vice-President, eight Directors, and a Secretary-Treasurer. It is worthy of note that six of these officials get their mail via R. F. D. The constitution provides for an annual meeting of the stockholders, at which time the eight Directors are elected by a plurality vote. Upon request of one-third of the stock, the Directors shall call a special meeting. Proxy voting is permissible, if authorized in writing and filed with the Secretary, and each share is entitled to one vote. A quorum consists of all the stockholders reporting either in person or proxy a majority of outstanding shares of stock. Each stockholder is to be notified seven days in advance of any special meeting. Stockholders must be of legal age and sign the by-laws.

The Board of Directors manages the affairs of the Association. They have power to fill vacancies in their body until the next annual meeting of the stockholders. "The Board of Directors shall have power to employ agents, factors, clerks, workmen, and attorneys; to fix their compensation; to prescribe their duties, to dismiss any officer or agent without previous notice; and generally to control and manage the affairs of the Association." The Directors have power to loan to members of stockholders upon first lien on farm property or lands situated in any of the four counties, and on the paid-in value of the stock. They also have the power to issue any classes of stock which they think to be for the best interest of the Association. "They shall have power to regulate the fees, dues, fines, forfeitures, time of maturity of shares, the amount and time of payment of installments on shares, the form of mortgages, the amount of insurance required on property offered as security for loans, and generally to do any other thing they, in the exercise of a wise discretion, may deem for the best interest of each and every stockholder of the Association." The President, Vice-President, Secretary-Treasurer, and such loan and investigating committees as are deemed advisable are elected annually by and from the Board of Directors. The Directors also determine the amount and form of the bond required of all offi-

cials having access to any funds. The President executes all agreements, and signs all certificates of stock. The constitution can be amended either in a regular or special meeting.

The by-laws of the Association provide that each share shall have a par value of \$100, and shares are issued quarterly. The entrance fees are fifty cents per share. Two classes of shares are provided for: installment shares and dividend-bearing, advance payment shares. "On each installment share, there shall be paid one dollar per month as monthly dues, on or before the first day of each month until by the payments so made and the profits accumulated thereon the said share shall have attained the par value of \$100." Dividend-bearing, advance-payment shares are sold for a single payment of \$90, and participate in profits and losses with the installment shares. The advance-payment shares are entitled to a four per cent per annum dividend. Such dividends are paid semi-annually, and charged against the profits due to the shares. When with the \$90, and the profits on the same after the dividends are deducted, the amount shall equal \$100, the share is declared matured and payable. This second class of shares cannot exceed twenty-five per cent of the first. All other terms and conditions of advance-payment shares are left to a resolution by the Board of Directors. On March 14, 1914, they adopted a resolution which provides that the above conditions shall be enforced, provided the stock remains in force not less than six months, and in event of the withdrawal of the stock, the four per cent shall be in lieu of all profits or interest on the stock. This stock may be withdrawn upon ninety days' notice in writing, and the Directors have the power to retire it at any time after it is three years old. In case of this forced retirement, the owner is entitled to receive the amount paid for the stock plus the profits, after the four per cent has been deducted. The advance-payment stock cannot be assigned or transferred except on written notice. Loans are made at the monthly meetings of the Directors. The Directors appoint an attorney for the Association and make a contract with him concerning fees. His charges for making search of title or handling any papers connected with a loan are paid by the person applying for the loan. Property offered as security is examined by a committee of three stockholders, appointed by the Directors for each township. In case a share-

holder neglects to pay monthly dues on the day the payment is due, there is assessed a fine of ten cents on each share for each month the dues remain unpaid. Shareholders in arrears cannot vote, and membership ceases when the monthly fines amount to the sum paid as dues and have not been paid on any share on which loans have not been made. Shares may be transferred for a fee of ten cents on each share of unincumbered stock, and a fee of twenty-five cents for each share of encumbered stock. The purchaser is held liable for such fees. The certificate of membership is signed by the President and Secretary, and bears the seal of the Association. "Shareholders in good standing may borrow ninety per cent of the paid-in value of their shares by transferring their shares to the Association as security; paying six per cent interest, and continuing the payment of their monthly dues." Shareholders are entitled to loans upon three kinds of security: first, bond and first lien trust deed on farm land; second, the assignment to the Association of the certificate of membership to the extent of one share for each \$100 borrowed; and, third, fire insurance policy for such sum as the Directors may require." Second or subsequent deeds of trust may be used as security if the prior mortgages are also held by the Association. Loans shall not be made in excess of two-thirds of the value of the property. A description of the property to be given as security must accompany an application for a loan. Loans are made only when the reports of the appraisers and the attorney who examines the title are approved. The interest commences on the day the loan is made, and is paid at the same time as the monthly dues. The borrower may cancel his obligation and obtain the collateral held by the Association as security after paying principal and interest, but thirty days' notice must be given, and the Board of Directors may waive such notice. In such cases, a release fee of twenty-five cents is collected on each share. In case the borrower fails to pay monthly dues for ninety days the Association may order the sale of the property. Proceeds are to be used in the payment of taxes and assessments; to defray expenses of selling; to pay amount due the Association as secured by the trust deed; and if any remains it is given to the member. Ninety days' written notice must be given to the Directors before the shareholder can withdraw his funds. At time of withdrawal the member receives

the monthly dues which he has paid in, minus charges against him. In case of death, the heirs, or regular representatives of the shareholder, may continue the payments on unredeemed shares and with the consent of the Directors, they may have the deceased's unredeemed shares cancelled. No amendment to the by-laws may be passed unless submitted in writing one month previous to action and then only by a two-thirds vote of all the Directors.

We have gone into the above details concerning this one attempt at securing better credit for the southern farmer not because of the proven success of the venture, but because the plan and system of organization and control cover in such a definite way so many of the problems which must be met in most any community when the actual work of organization is attempted.

The fact should not be lost sight of that loose control in banking and monetary affairs in the past has cost different sections of the country years of tribulation. It is well therefore that in the future all details should be carefully thought out.

How to Form a Coöperative Credit Union Under the Texas Law

Get together ten or more men of the community who have the welfare of the community at heart; men who have among other characteristics, thrift, honesty, and the ability to read and write. It is not necessary that they have any money. Elect a chairman, secretary, and treasurer; discuss the importance of knowing more about the problems of the community; plan for a series of meetings; get acquainted; learn to work together; don't talk about becoming your own banker. Talk about coöperating with each other and becoming better farmers. Ask the Division of Public Welfare of the University of Texas to send you literature describing the University Home and School League, and the various kinds of farmers' clubs that are doing effective work in other places. Appoint a time for a meeting to discuss the provisions of the Rural Credit Union Law as it stands in Texas at the present time. Provide for the dues for your present association. Have the treasurer hold such dues as a fund belonging to the society. Let such monthly dues be an encouragement to saving. Study that

part of the literature sent you by the University which tells of the places where farmers are organized to help each other save. If your community is one in which every cent must count, invest your fund which is accumulated from such dues, when such funds are large enough, in some way so that they will continue to grow. For example, in a calf or pig, and permit the members to take turn about taking care of same. This may seem like too small a matter to begin with, but you must begin somewhere or never have anything saved, and it is better to begin in a small way than to come down to the close of life without anything. Begin on as large a scale as possible, but if you have nothing, begin anyway. In the mean time, the Commissioner of Insurance and Banking at Austin will furnish you with a copy of the law which permits the incorporation of the Rural Credit Unions. Have a meeting to discuss the various features of the law. Don't be in a hurry to ask for a charter from the Commissioner of Banking. The law won't provide any money for you. It merely explains how to conduct business. The law provides that the credit union shall have shares of \$25 each. It may be before the credit union is ready for its charter that the fund of the association built up from the dues, or from the investment that has been made of them, will be a sufficient amount to pay the first installment of such shares. It may be even possible that since at least ten members are required, that your common fund belonging to the society may amount to \$250, or enough to buy one share for each of the ten members. This takes for granted that you have found a treasurer to whom you are willing to intrust, without bond, at least \$250 either in money or property. If out of ten men you cannot find such a treasurer, there is very little use to talk about a rural credit union, even if organized under the strongest law possible, for, as the famous financier said, "Character is the basis of credit."

It might be added here that there are among those who have studied the rural credit institutions of Europe, where they have made such a marvelous success, those who would like to separate the financial side from the moral side. It would seem decidedly unwise to do so, as badly as the farmer may need cheaper money, there are other things that must not be lost sight of. Among these are the personal characteristics of industry, intelligence, stability, and honesty. Upon these things as a basis the farmers

of Europe have established their reputation for ability to provide themselves with funds in time of need. On this point note the following taken from an address by the Hon. Luigi Luzzatti, a leader of the Italian people:

“The Rural Bank, for instance, which arose without capital, rich only in its invisible treasure of mutual trust and human solidarity, is the fruit of the modest, unrecognized virtues of the country folk, bound together by bonds of mutual affection, who assist and watch over each other with the subtle vigilance of neighbors. And, lo and behold, these humble folk, void of economic lore, have accomplished a miracle,—due to the fact that a moral and not a material impulse guided their work—the miracle of creating capital out of nothing. They have succeeded in coining their simple good faith and their honor, and in transforming into concrete credit,—so rebellious to all idealistic considerations,—promises of payment guaranteed only by their obscure immortal souls. And now in Germany and in all the other countries which have followed in its footsteps, the business transacted by these banks, founded without capital, and which have laboriously built up their own reserve funds, amounts to 10 billions each year, and they represent the billionaires of agrarian poverty.”

Some one may say that this is all right in Europe, but that it would not do in America. If this is true, then the American needs something else more than he needs money. Again it is said that cheap money for the American farmer is a dream which may be realized some time in the distant future. On this point we need only say that there are farmers who are getting cheap money, and there is no copyright on their methods which prohibits the Texas farmers from applying them right now. Necessity has driven some people to coöperation and necessity will drive other people to it. What we are asking for, is leadership with a vision clear enough and enthusiasm strong enough to bring about the benefits that have been secured by others without waiting until necessity forces us to do something. In the literature which you may secure from the Division of Public Welfare your association can study out all of these questions. Take up the Texas Rural Credit law and compare it to other laws. Study its provisions. Among them you will find that it takes at least ten people to form a Union; that shares sell for \$25, but may be paid

for in installments, and that the smallest savings may be applied toward this end. The law provides that members borrowing from the Association shall not be charged more than 6 per cent interest. Study its provisions of one man one vote, and note how you are studying an association of men rather than dollars. There is no limit to the amount of capital or the number of shares which you may own, except as you limit your own savings. Discuss in open meeting the provision which is laid down that loans shall be made only for productive purposes, or urgent needs. Discuss in open meeting past experiences as to length of time for which loans have been granted. You will see that the law provides that no member shall borrow an amount in excess of \$200. Examine the question as to whether you think this law would limit your action. You will find out when you compare it with other state laws or foreign laws, that it is not perfect. But it certainly is wide enough and broad enough and good enough to allow a great beginning, and it can be changed at the next session of the Legislature. Above all things, remember that it ought to be far from your purpose to form any sort of organization for the express purpose of eliminating any landlord or merchant or banker. You are to be concerned with business and business principles and not personalities, and if it is not clear to you that there need be no conflict between you and the legitimate business that is done by the local merchants and bankers, or if it is not clear to the merchants and bankers, then there is lack of understanding of the situation, or the community at large is being run at the present time by those who have an obscure vision and short-sighted business policies and abilities.

It is to be hoped that what has been said above will make clear the fact that in some communities it will be best to have a temporary organization or society before the real chartered credit union is launched. In other places it may be possible to start such unions without much preliminary work. In either case it takes leadership before the work will start at all and up to date, June, 1914, the law has not been used. The preliminary work as suggested above will clear up many perplexities. To begin is the most difficult thing. In other places it has been surprising how people with surplus savings have become interested and invested in an institution when a group of farmers got together, pledged

their mutual aid and responsibility and vowed that they would go deeper into the study of their problems than they had before. However, not much can be reasonably expected from outside sources until the members of the association have demonstrated their earnestness of purpose and business ability. After the members concerned have proved this to themselves, then it is time to transfer from the preliminary organization into a regular chartered and incorporated credit union, which can safely make loans as well as receive savings.

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