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Canadian Co-operations*

OBSERVATIONS ON THE COOPERATIVE MARKETING OF GRAIN BY FARMERS' ASSOCIATIONS IN CANADA AND THE UNITED STATES

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IN CANADA the cooperative grain marketing movement of the past quarter of a century has been characterized by the creation and successful operation of a group of large-scale centralized associations. These organizations link hundreds of local elevators with groups of large terminal elevators and with sales agencies in all of the important domestic markets and in several of the principal foreign markets. By this means an integration of services under unified control has been attained and the volume of products marketed by farmer-owned associations has been increased to approximately sixty per cent of the total.

In the United States, on the contrary, farmers' grain marketing efforts have until recently been directed mainly toward the establishment of individual local elevators without any substantial degree of coordination in the movement or sale of grain. These local associations, several thousand in number, have, however, handled about 35 per cent of the grain marketed and in addition have performed other valuable services. It is not my desire to minimize the efforts made by groups of individuals here and there to effect a more complete system of marketing—efforts which in a number of instances have resulted in successful organizations. However the volume of grain handled by farmers' associations of more than local character never reached 10 per cent of the total prior to the advent of the movement stimulated by the Federal Farm Board. One should therefore be subject to little criticism in suggesting that the movement in the United States has been characterized by extensive efforts directed toward the creation of independent local farmer-owned associations.

The observations which I wish to make on the developments in these two countries might be grouped into two divisions, first those of a general nature dealing with the developments and reasons for the differences that exist, which will include references to economic and other conditions affecting grain marketing and cooperation in general, and second some comparisons of actual operations.

EARLY MOVEMENT SIMILAR

The early developments in both countries were of the local type. Local elevator associations similar to those developed in the United States during the Granger days were formed in Western Canada between 1890 and 1905. In Canada, however, these associations gave way to large centralized organizations a few years later, whereas in the United States the local association continued to dominate the field.

In explaining the reasons for this contrast in development during the last quarter century many comparisons have been made. It has been urged by some for example, that the local association of the middle western states is more democratic than the large centralized associations of Canada and therefore appeals more to the patriotism of producers in the former region than would large centralized associations. One can dispose of this by observing that if this be true, the grain producers of the United States are more richly endowed with patriotic impulses and have a different conception of democracy than their fellow producers of citrus fruits in California, or of dairy products in Minnesota or New York, where large percentages of the total product are controlled by single organizations under plans similar to those followed by the Canadian grain cooperatives.

It has also been stated that Canadians are inherently more "cooperatively minded" and will therefore work together with greater trust of one another thus encouraging the development of larger associations. This too is a questionable assertion. Western Canadians are of pretty much the same racial stock as their neighbors south of the international boundary. There is probably a little higher percentage of Anglo Saxon stock in Canada but it might be difficult to prove that this guarantees greater inherent cooperative tendencies. If one urges that the difference between sixty per cent control in Western Canada and thirty-five per cent in the western grain states represents the difference in cooperative tendencies, then one must likewise admit that the citrus producers of California, who market a still larger percentage of their total product cooperatively than either the Canadian or American grain producers, are inherently more cooperatively minded than either. As a matter of fact there are probably no greater inherent coopera-

tive tendencies in farmers of either Canada or California than in those of Kansas or North Dakota.

The differences that have existed in the establishment of cooperative grain marketing organizations in the two countries are partly the result of different economic, climatic, and geographic conditions and partly the result of circumstances which might almost be considered accidental in nature.

ECONOMIC DIFFERENCES

Certain differences which might be classed as economic are evident when one considers the grain area of the two countries. Perhaps it would be more correct to say that climatic and geographic conditions have given rise to a little different set of economic conditions. The United States' surplus grain producing area is subdivided into four or five major producing districts. Each of these produces different classes and varieties of grain due largely to climatic differences. Each markets in a little different way. Grain moves in many directions both for domestic and export sale. Only about one quarter, and frequently less, of the total is sent abroad. Much of the grain is sold, ground and consumed within a few miles of where it is produced. Grain production, transportation and marketing problems are thus more varied in the United States than in Canada, where a single class of wheat predominates, where producing and marketing conditions are more uniform, and where roughly three-quarters of the crop must find a market in other countries. This has suggested to some that there was less need for large associations in the United States than in Canada. This point is appreciated, but on the other hand in almost every other line of business in the United States similar conditions have impelled operators to consolidate their interests and peculiarly enough a large part of the private grain business in the United States is carried on in a manner similar to the course followed by the farmers' companies in Canada.

Differences in production and marketing in the two countries do not entirely account for the difference in cooperative development. This is particularly the case in regions like the southwestern and northwestern areas where conditions of production and marketing are very similar to those found in Canada. Up to about

1902, as already stated, farmers' marketing activities had gone along identical lines in the formation of local organizations, but in both countries the individual local elevator was in a bad way due to the competition and boycotts of country and terminal grain companies. However about 1902 certain terminal agencies in Chicago realized the possibilities of linking up with the local farmers' associations and in spite of organized protests, encouraged this business and helped organize local elevator companies. Within a few years terminal marketing agencies all over the grain states were "tumbling over one another" to encourage the formation of local elevators which they in turn frequently financed, and for which they acted as sales representatives.

No such assistance was obtained in Canada. The end of the local farmers' elevator was in sight by 1906. Relentless competition by well organized and highly diversified private companies forced the independent farmers' unit out of business. This however, did not quench the enthusiasm for cooperative action. Producers reorganized, and this time on a basis similar to their private competitors, thus creating cooperative agencies which have since engaged in all phases of the grain business and which have become highly successful organizations. It is not improbable that the competitive conditions prevailing during the first few years of the present century determined the course which developments have since taken. One cannot help wondering whether the assistance given the local elevator movement in the United States by certain grain interests was in the long run a good thing for farmers. True it came at a critical time in the life of the elevator movement and opened the way for great developments. Had no such help been rendered, however, the trend of events in the western grain states might have been similar to that of Western Canada since 1906, in spite of the somewhat different economic conditions already mentioned.

Canadian governments, provincial and federal, have always been most sympathetic toward cooperation and particularly toward grain marketing cooperatives. They have passed special acts to create large associations, they have financed the physical assets of such associations, and for a time even operated country elevators as public utilities. They have assisted with organization even to the extent of making loans and grants and in guaranteeing the credit of farmers' organizations. No small part of the success of

the Canadian associations is due to the sympathetic support of legislatures. The Saskatchewan legislature loaned well over \$4,000,000 over a period of fifteen years to the cooperative elevator company carrying the name of that province, and every dollar was returned or is provided for, with interest. Support of this kind has unquestionably been a great stimulus to large scale development in Canada, but one might question whether this is the cause or the effect of such development. The question will be dismissed with the observation that large associations representing a considerable body of public opinion have a way of making their demands known and appreciated by legislators.

COOPERATION GENERALLY NOT DIFFERENT

Although an impartial student of grain marketing would probably be more favorably impressed by the size, solidarity, and effectiveness of the Canadian farmer-controlled grain marketing organizations, than by those of the United States, he would find little difference in the methods followed or in the success attained by associations in other fields of agricultural endeavor. Similarly he would find as much difference in the organization set-up, business policies, and success of associations in different provinces or states, or in different parts of these political units, as he would find by comparing the organizations in the two countries. In the attitude of the people toward cooperation, as in many other matters, one finds greater differences going from east to west in either country, than in going directly north or south across the border. Farmers in both countries have made remarkable progress in cooperative development, and in general there is a great similarity in methods of organization and success attained. If my comparison appears to favor the Canadian development in grain marketing, it need only be said that your committee might have selected another commodity where a different verdict would have been necessary.

GREATER INTEREST

Students of grain marketing have observed that the success of Canadian grain marketing cooperatives appears to have aroused a greater enthusiasm among members than have the local associations of the grain states, and that they have inspired greater confidence and more pride of accomplishment. The Canadian institu-

tions have perhaps done a little more to educate their members in grain marketing. The Canadian producer knows more about what becomes of his grain after it is dumped into the pit of the local elevator than does his American cousin. He is probably a little better informed on both domestic and world grain conditions than his neighbor. This is due in a large measure to the extensive educational efforts of his own large associations, but it should be observed that his greater dependence on the returns from a single crop and especially upon foreign markets impel a greater interest in supply and demand, and in their functioning mechanism.

GREATER USE OF CONTRACTS

The Canadian grain producer has adopted the contract with greater favor than have farmers on this side of the boundary. The contract between grower and association has become an important feature of recent cooperative developments in Canada although there are many successful associations that do not use contracts. Among these might be mentioned the United Grain Growers Limited with 35,000 shareholders and a volume of business in years of good crops exceeding 40,000,000 bushels. However, the tendency at present is toward greater use of contracts. There has been relatively little contract breaking in Canada, and comparatively few cases involving breach of contract have been taken to court.

A FORM OF LIVING

The cooperative grain marketing association in both the United States and Canada has in the main been regarded only as a business organization. This is probably characteristic of the general attitude toward all farmers' cooperative organizations on this continent. There has been little tendency to regard the association as anything more than a "dollars and cents" organization. True the associations have contributed much educationally, as well as socially, and in a measure politically, but we have not regarded the cooperative movement as representative of a mode of living. We support the institution because of its direct monetary value—not because it represents a principle. The result is that when the association meets with reverses and fails (though perhaps only temporarily) to do as well for us as its private competitor might have done, we desert it almost as readily as we shift our business

from one chain store to another. This attitude would seem strange to the cooperators of many lands. Until the last few years an observer would have detected little if any difference in the attitude of producers in our respective countries on this question. Within the last decade however there has perhaps been a little more attention given in Canada, particularly in the West, to this other side of cooperation than has been evident in the western states. The effect of this is evident in the present loyalty toward the Pool. It is doubtful if any other large body of producers anywhere on this continent has given such whole hearted support to an association under similar conditions. One wonders if the associations in both countries might not profitably give greater consideration to the principle involved than to the financial results attained. It might stand them in good stead when low prices or financial reverses strike them. We have probably put too much emphasis on the price appeal.

So much for general comparisons. Let us now turn to one or two comparisons having to do with the results of operations. First, let me say that it was assumed in preparing this paper that the papers which are to precede it would deal in some detail with the methods of operation.

CANNOT COMPARE PRICES

Attempts have been made to compare the efficiency of farmers' grain marketing associations in the two countries by referring either to market price quotations or returns to farmers. Such comparisons have little if any merit. The quality of grain produced, the different ratios of domestic to export trade, and the tariff policy of the United States affect the price more than do the differences in cooperative development.

It is possible however to compare the operating expenses incurred by farmers' associations in the two countries since the physical handling of grain, up to the terminal market at least, is practically the same. Elevators in the spring wheat area of the United States have been selected for comparison with the Canadian association to further insure comparability. Labor costs will average a little higher in the United States than in Canada, but supplies cost more, and there is a higher investment cost on equipment in Canada if only grain handling facilities are compared. Differences, if any, as far as farmers organizations are concerned can

be narrowed down mainly to differences in organization and operating policies.

In table 1, the operating costs of a group of elevators in the spring wheat states are given. Variations in costs which range from 3.57 cents per bushel to 5.68 cents are caused almost entirely by variations in volume due to varying crop yields. The elevators analyzed the first year appear in the group for succeeding years. These costs include only grain handling costs except in the first year when the expense of handling sidelines was not separated. They of course include only the cost of receiving, storing, cleaning, and shipping grain by the local elevator. Patronage dividends

Table 1. Average Expenses Incurred in the Operation of Farmer Owned Country Elevators in the Spring Wheat Area of the United States*

Crop year	Number of elevators included	Average volume handled	Average expense
		(bushels)	(cents)
1924-25.....	40	216,604	3.57
1925-26.....	54	161,039	4.46(1)
1926-27.....	63	110,833	5.68(1)

* Preliminary reports on a study of farmers' elevators in the spring wheat area, made by W. J. Kuhrt, and published by the Division of Cooperative Marketing, Bureau of Agricultural Economics, United States Department of Agriculture, Washington, D. C.

(1) Includes only grain handling expense.

though not available would probably reduce the net cost to the producer somewhat.

In tables 2 to 6 costs of operating wheat pool elevators in Manitoba and Saskatchewan are given.¹ In the first table of this group four years results for Manitoba are given, and the striking thing about this is that the costs when compared with those for farmers' elevators in the spring wheat area of the United States are not greatly different, if the comparison is made between years when the volume of grain handled per elevator, was approximately the same in each area. Averaging the years under consideration we find a remarkable similarity.

¹ These data were prepared for a revision of Bulletin No. 63, "Cooperative Marketing of Grain in Western Canada" by J. F. Booth, Division of Cooperative Marketing, Bureau of Agricultural Economics, Washington, D.C. and are presented by courtesy of A. W. McKay, Chief of the Division, which is now a part of the Federal Farm Board.

Table 2. Operating Expenses of Manitoba Pool Elevators for the Crop Years 1925-26 to 1928-29 Inclusive (1)

Crop year	Number of elevators	Average volume	Average expense per elevator (2)	Average expense per bushel (3)
		(bushels)		(cents)
1925-26.....	8	179,155	\$6,418.94	3.58
1926-27.....	30	192,772	7,400.62	3.84
1927-28.....	58	119,226	7,170.70	6.01
1928-29.....	143	181,931	\$7,774.71	4.27

(1) Includes both local and head office expenses.

(2) Includes interest on investment at 7 per cent.

(3) The net expenses per bushel after crediting local earnings and terminal elevator surpluses were as follows: 1925-26, 0.16 cents; 1926-27, 1.07 cents; 1927-28, 2.48 cents. Data for 1928-29 are incomplete.

Table 3. Operating Expenses of Manitoba Pool Elevators for the Season, 1926-27 (1)
(Based on data for 30 elevators)

Item	Total expense	Expense per elevator	Expense per bushel
			(cents)
Local elevator expenses:			
Agent's salary and station expense.....	\$85,892.52	\$2,863.08	1.485
Interest, insurance and taxes on elevator and equipment (2).....	49,196.17	1,639.87	.851
Depreciation at 5 per cent per annum....	21,597.72	719.92	.373
Head office expenses:			
Salary, interest, exchange, printing, stationery, rent, etc., and superintendence	59,682.22	1,989.41	1.032
Reserved for contingencies.....	5,650.00	188.33	.098
Total.....	\$222,018.63	\$7,400.62	3.839(3)

(1) Average volume per elevator, 192,772 bushels.

(2) Includes rental on 8 elevators at an average cost of 1.44 cents per bushel.

(3) The net expense per bushel after crediting local earnings and terminal elevator surpluses was 1.07 cents.

Table 4. Operating Expenses of Manitoba Pool Elevators for the Season,
1927-28
(Based on data for 58 elevators)

Item	Total expense	Expense per elevator	Expense per bushel
			(cents)
Capital expense:			
Interest on capital investment (1).....	\$75,517.83	\$1,302.03	1.092
Depreciation on building and equipment at 5 per cent per annum.....	50,867.73	877.03	.736
Insurance.....	9,653.03	166.43	.140
Taxes.....	9,988.35	172.21	.144
Bonds.....	2,890.50	49.84	.042
Total.....	\$148,917.44	\$2,567.54	2.154
Station expenses paid locally:			
Agent's salary.....	\$95,874.45	\$1,653.01	1.386
Helper's salary.....	10,761.31	185.54	.156
Repairs and renewals.....	6,205.29	106.98	.090
Fuel.....	2,950.90	50.88	.043
Gasoline and oil.....	10,453.18	180.23	.151
Postages, telegrams and telephones.....	5,029.61	86.72	.073
Miscellaneous.....	13,521.14	233.12	.195
Total.....	\$144,795.88	\$2,496.48	2.094
Station expenses paid from head office:			
Grain insurance.....	\$5,109.18	\$88.09	.074
Workmens' compensation insurance.....	1,403.21	24.19	.020
Printing and stationery.....	8,147.87	140.48	.118
Interest on grain loans.....	23,136.15	398.90	.335
Exchange and excise.....	6,566.81	113.22	.095
Legal.....	726.61	12.53	.010
Audit.....	4,590.45	79.15	.066
Preliminary expenses written off.....	1,537.77	26.51	.022
Reserved for contingencies.....	2,824.72	48.70	.041
Total.....	\$54,042.77	\$931.77	.781
Head office expenses:			
Salaries—Winnipeg office, and superin- tendence.....	\$43,826.15	\$755.62	.634
Traveling expense.....	8,138.95	140.33	.118
Insurance, bonds, and taxes—Winnipeg.....	1,118.69	20.49	.017
Office rent and light.....	5,571.94	96.07	.080
Telegrams and telephones.....	1,461.97	25.21	.021
Postage.....	1,726.23	29.76	.025
Depreciation on furniture and fixtures.....	1,685.83	29.07	.024
Miscellaneous.....	4,545.01	78.36	.066
Total.....	\$68,144.77	\$1,174.91	.985
Grand total.....	\$415,900.86	\$7,170.70	6.01(2)

(1) Includes rental on 8 elevators at an average cost of 1.61 cents per bushel.

(2) The net expense per bushel after crediting local earnings and terminal elevator surpluses was 2.48 cents.

Table 5. Relation of Expense to Volume of Grain Handled by Manitoba Pool Elevators, 1927-28

Range in volume of grain handled	Number of elevators	Average volume	Average total expense per elevator	Average cost per bushel
(thousands of bushels)		(bushels)		(cents)
50 or under	3	27,023	\$3,065.90	11.34
51-100	16	77,674	6,064.46	7.81
101-150	27	121,848	7,448.42	6.11
151-200	10	175,865	8,701.98	4.95
201-250	0			
251-300	2	271,242	10,772.37	3.97
Total	58			
Average		119,226	\$7,170.70	6.01(1)

(1) The net expense per bushel after crediting local earnings and terminal elevator surpluses was 2.48 cents.

Table 6. Operating Expenses of Saskatchewan Pool Elevators for the Season, 1927-28 (1)
(Based on data for 727 elevators)

Item	Total expense	Expense per elevator	Expense per bushel (2)
			(cents)
General expense:			
Salaries and wages	\$408,892.86	\$562.44	.408
Administration expenses	334,909.65	460.67	.334
Taxes, licenses, and so forth	159,415.84	219.28	.159
Insurance and bonds	163,376.30	224.73	.163
Interest on current operations	220,353.31	303.10	.220
Depreciation at 5 per cent per annum	431,035.65	592.90	.430
Expenses of elevator operations:			
Superintendence and inspection	222,202.74	305.64	.222
Local elevator expenses	2,227,801.87	3,064.38	2.223
Total	\$4,167,988.22	\$5,733.13	4.159(3)

(1) Total volume of grain handled, 100,210,581 bushels, or 137,841 bushels per elevator.

(2) Exclusive of interest on investment which if computed at 7 per cent would add approximately two-thirds of a cent per bushel.

(3) The net expense per bushel after crediting local earnings and terminal elevator surpluses was 1.98 cents.

In the case of the Canadian associations the costs of head office supervision and administration are included but terminal elevator and selling costs are not. However the refund from the surplus earnings of the sales agency and from the terminal elevator division of each pool was sufficient each year to reduce local net costs to about one third of the amounts actually incurred in local elevator operation.

In table 7, the average costs incurred over a period of 15 years by the Saskatchewan Cooperative Elevator Company are given. In

Table 7. Relation of Volume of Business to Cost of Handling Grain, Saskatchewan Cooperative Elevator Co., Limited

Crop year	Number of elevators operating	Average number of bushels handled per elevator	Central overhead expense	Fixed expense	Operating expense	Total
		(thousands of bushels)	(cents)	(cents)	(cents)	(cents)
1911-12.....	44	74	0.90	0.65	1.26	2.81
1912-13.....	137	94	.66	.75	1.32	2.73
1913-14.....	192	102	.69	.75	1.18	2.62
1914-15.....	208	66	1.00	1.01	1.54	3.55
1915-16.....	230	170	.55	.53	.98	2.06
1916-17.....	258	125	.84	.83	1.37	3.04
1917-18.....	298	87	1.13	.66	1.80	3.59
1918-19.....	306	68	1.50	1.06	2.11	4.67
1919-20.....	296	66	1.79	1.21	2.58	5.58
1920-21.....	319	82	1.38	1.05	2.50	4.93
1921-22.....	331	105	1.02	.76	2.00	3.78
1922-23.....	351	116	.84	1.01	1.83	3.68
1923-24.....	381	127	.75	.75	1.70	3.20
1924-25.....	433	64	1.38	2.03	2.71	6.12
1925-26.....	451	116	.85	1.31	1.86	4.02

this case the number of elevators varied from 44 in the first year to 451 the last year. The surplus earnings on the local and terminal elevator operations of this company averaged about one cent per bushel.

This comparison, if of any value, indicates that there is little difference in the cost of handling grain by farmers' agencies at local points in Canada and in the United States spring wheat area, if we leave terminal operations out of the picture. If, however, we apply surplus terminal earnings to local elevators in proportion to their contribution, as is possible in Canada where the local and terminal facilities are combined under centralized management, the net cost to the grower appears to favor the Canadian

system, unless—and this may or may not be important—we assume that these terminal surpluses known as profits in private business, which accrue to private grain handling agencies, permit them to pay better prices to local associations and farmers for grain than is the case under the Canadian pool system where the surplus earnings are shown as patronage refunds. This, of course, takes us back to a comparison of prices where we are forced to abandon the discussion.

CONCLUSIONS

In the foregoing discussion I have endeavored to analyze the reasons for the differences in grain marketing developments in these two countries which previous speakers have referred to. It was suggested that different economic conditions have had some effect on developments but that these did not account for all the difference. Events, more accidental than economic, shaped the trend of development in the two countries after 1900. Partly as a result of this, and partly due to differences in social and national development, individuals and governments of these two countries have taken different attitudes toward cooperation. This has had some bearing on cooperative grain marketing institutions.

In conclusion it might be said that under present economic conditions the linking of country and terminal facilities with sales agencies under a unified system of centralized control such as is found in Canada has certain marked advantages. This is said too, with a fair appreciation of the differences that exist between the marketing of grain and that of most other farm commodities. The weaknesses of the farmers' elevator movement in the United States which is characterized by independent local associations are not nearly so important as many critics in the United States assert, but there is much to be said in favor of the present program which aims at a degree of coordination similar to that obtaining in Canada. In this connection one should not over-estimate the importance of contracts, orderly marketing, or pooling, as features of the Canadian development. These are important and have contributed to the significant development of the last six years but back of the associations employing these features is the established principle of coordination already referred to and which over a period of 25 years has made the greatest contribution to the success of the Canadian movement.