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PROCEEDINGS  
OF THE  
SECOND INTERNATIONAL CONFERENCE  
OF  
AGRICULTURAL ECONOMISTS

HELD AT  
CORNELL UNIVERSITY,  
ITHACA, NEW YORK,  
AUGUST 18 TO AUGUST 29, 1930

*The Collegiate Press*  
GEORGE BANTA PUBLISHING COMPANY  
MENASHA, WISCONSIN

1930

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RESEARCH IN COOPERATIVE MARKETING

H. B. PRICE

UNIVERSITY OF KENTUCKY, LEXINGTON, KENTUCKY

IN THE few minutes allotted to me I shall discuss some of the chief characteristics of research in cooperative marketing and a few outstanding developments of recent years. Time will not permit discussion of the organization of research or its development.

Research in cooperative marketing in the United States was brought to the front during the period of rising prices from 1906-13 when consumers and producers alike became greatly interested in narrowing the spread between farm and retail prices. This statement should not be misunderstood. Other motives doubtless actuated the research workers in this field during this early period, but the emphasis placed upon margins, costs of marketing, and marketing channels, clearly indicates the predominant influence of rising prices on cooperative marketing research in its early stages.

Many changes in the research programs of our public research agencies both in method and content have taken place during the twenty years that have passed, but the utilitarian objective of the first research workers has not changed substantially during the intervening years. The primary motive of research in cooperation, as shown by the recent surveys of the Social Science Research Council, is to improve the efficiency of cooperation and marketing organization. According to these surveys about 75 per cent of all research projects deal with problems that relate to the structure and operating problems of cooperative associations.<sup>1</sup> A major portion of research effort is devoted to making cooperative business units more successful. Costs, incomes, and prices are the chief pragmatic tests applied in measuring the efficacy of cooperative organization.

How long this practical point of view will predominate is difficult to say. The emphasis given to applied economics by American economists and the public character of the financial support of most research in cooperative marketing appear likely to continue the emphasis on the commercial aspects of the movement to the

<sup>1</sup> Preliminary Report of a Survey of Economic Research in Agriculture in the United States During the Year July, 1926, to June, 1927. Vol. IV, p. 2.

neglect of considerations of a theoretical and social nature. The surveys of the Social Science Research Council referred to above, show that only one project out of 44 reported in a recent year as being active at agricultural experiment stations dealt with the social aspects of cooperation, and that only two projects included these aspects by implication. Moreover, only three projects provide for historical studies of cooperation, valuable as this approach might be in explaining the genesis, objectives, and problems of cooperative organization. In this instance, there is no provision in the organization of the experiment stations for this type of research. This partially although not entirely explains the limited consideration of this aspect of research in the cooperative research program. Like the theoretical aspects, historical studies do not yield results that appear to have immediate value.

There can, of course, be no serious objection to emphasis on the practical aspects of research conducted by public agencies supported by state and federal revenues, but it is unfortunate that more consideration is not given to other features. Perhaps these will receive more attention as research in this field matures although none of the texts on the subject and little of the literature show evidence of such development. Students of consumers' cooperation have not overlooked the social features of the subject although thus far they do not appear to have a sufficiently comprehensive understanding of producers' cooperation to interpret agricultural cooperation in the light of national economic and social organization. Perhaps, we shall have to wait for the sociologists and economic historians to enter the field. An even better suggestion is the possible cooperation of agricultural economists with these two groups to develop research along theoretical lines of social and economic significance.

Another prominent characteristic of research in cooperative marketing is the emphasis placed on description. In the developmental stages of research in any field much information descriptive of structure and processes is necessary to orient the research worker, and to point out research problems. Cooperation is no exception to this rule. Indeed, the kaleidoscopic character of the cooperative movement, with the continuous rise and fall of cooperative associations in the various agricultural trades, together with the emphasis of research on commercial aspects of the movement probably necessitate the collection of more data of a descriptive nature than

in many other branches of agricultural economics and perhaps will continue to require much of this type of research method, at least until the cooperative movement becomes more stable.

It appears, however, that more attention might profitably be given to scientific analysis. Description of structure and processes can solve few problems. Too often the data fall short of the goal to improve a function or to remedy a situation. They can not answer the questions relating to such specific problems as what is the best size plant, when to sell, or the proper relation of the member to his association. Sufficient descriptive data do of course permit some qualitative analysis, although often not trustworthy because the data are frequently not collected with any definite problem in mind, and they rarely allow any quantitative analysis of any consequence. Fortunately, there is a pronounced tendency in recent years toward more detailed analysis as descriptive materials become more abundant and research workers are better trained for scientific analysis.

A third feature of research in American cooperation that should be mentioned is the development of cooperation among the various research agencies and between research workers and private businesses. The fine leadership of the United States Bureau of Agricultural Economics, particularly through its Division of Cooperation so far as cooperative marketing is concerned, in developing certain lines of research and particularly in promoting a coordinated program of research among the agricultural experiment stations, needs no discussion with this audience.<sup>2</sup> That the various states are making progress in unifying their research where they have similar problems, is evidenced by the occasional research conferences that have been promoted by different groups of states and by at least two coordinated research programs that to my knowledge have been undertaken. Considering the different stages of research generally existing in different departments, the different interests of research workers, and their individualism, this represents satisfactory progress in a difficult undertaking. It is also a wholesome development which can reasonably be extended considerably further in the interest of economy and effectiveness of research without serious impairment of the freedom of action of research workers or research agencies.

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<sup>2</sup> This Division was transferred to the Federal Farm Board in 1929.

Probably of equal significance to this coordination of research is the assistance which private business, both cooperative and non-cooperative, has rendered by making available for research, information relating to various business practices and commercial organizations. One rather expects the management of cooperative associations to provide data from their business both because the data will be used to aid them and because of the encouragement which cooperation has generally received from public agencies. But the situation is quite different from non-cooperative businesses. In their case, the information may be and frequently is used to aid cooperative as well as non-cooperative organizations. That they are willing to continue to furnish research data under these circumstances is remarkable, and a fine testimony to the public spirit of American business leaders. It is an attitude which research workers can afford to encourage.

No summary of research in cooperative marketing is complete without a statement of some of the developments in various lines of research. The outstanding achievement in recent years is the development of the analysis of the business set-up of cooperative marketing business units. The first study, undertaken by Professor J. D. Black and Professor E. S. Guthrie at the University of Minnesota in cooperation with the United States Bureau of Agricultural Economics, was a detailed analysis of the economic organization of 88 Minnesota creameries in which statistical measurement was made of the factors affecting the efficiency of creamery organization. Other students have adopted this method of approach to the analysis of business organization and to some extent have adapted it to other types of problems. It is not generally followed, however, as large amounts of detailed information of a comparable character are necessary if it is to be used successfully. This limitation automatically excludes types of organizations that are not numerous, as large-scale marketing units, or organizations from only a few of which satisfactory data can be obtained. Moreover, rapid extension of this type of research has been retarded by the fact that many research workers in agricultural economics have had insufficient training in economic principles and particularly in statistical method to carry on studies of this character. As the members of our research staffs become more familiar with these aspects of economics, however, this type of research in quantitative analysis will likely be adopted more generally as it not only con-

tributes to a better understanding of production economics but also provides an excellent basis for extension work with market business units.

This type of research, it should be pointed out, is not restricted to cooperative organization but can, and to some extent is being used in other branches of research. It is as applicable to non-cooperative as to cooperative business, and can be effectively employed in studies of organization problems of such businesses as credit, insurance and farming. It is mentioned in this paper because its greatest development has been in connection with research dealing with cooperative marketing associations.

Another development of more recent origin is an increase in the number of surveys of cooperative associations. Greater emphasis on cooperative organization in connection with the national agricultural program of the Federal Farm Board has stimulated interest in the present status of cooperation, and it seems likely that we shall have a better enumeration of cooperative associations within a year or two than we have ever had before. Perhaps we shall also have a better understanding of the problems of cooperative associations, if one can judge the results by the amount of data which some of the surveys propose to assemble, altho the data called for in the field schedules that have come to my attention fall short of those required for the solution of most cooperative marketing problems.

Two other lines of research that have been stimulated by Farm Board policy merit consideration. These are price policies and membership relations of cooperative associations. As a section of the program of this conference is reserved for discussions of price analysis, mention need be made here only of the membership phase of cooperative price policy, namely pooling and settlement methods. The principles of pooling and methods of paying members are pretty well understood at the present time. What we now need most are studies of the application of these principles to particular types of commodities. The University of California has studied the application to fruits and vegetables, and the University of Minnesota to livestock.<sup>3</sup> A real service would be ren-

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<sup>3</sup> California Bull. 432. Some Economic Aspects Involved in the Pooling of Fruit, by H. E. Erdman and H. R. Wellman. Minnesota Bul. 201. Organization and Management of Local Livestock Shipping Associations in Minnesota, by E. W. Gaumnitz and J. D. Black.

dered to cooperative associations if similar studies were made for other agricultural products.

Research relating to the relation of farmers to cooperative organizations has also increased as a result of the greater amount of organization work among farmers during the past year, although probably it has not increased as rapidly as the importance of the subject warrants. Too many farm organizations have failed in the past because they were not suited to the wishes of farmers as well as the needs of the industry. Our agricultural economic research departments have a real responsibility in developing a better understanding of the place of farmers in cooperative marketing associations lest history may be repeated in this particular.