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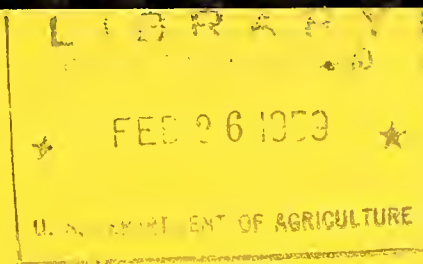
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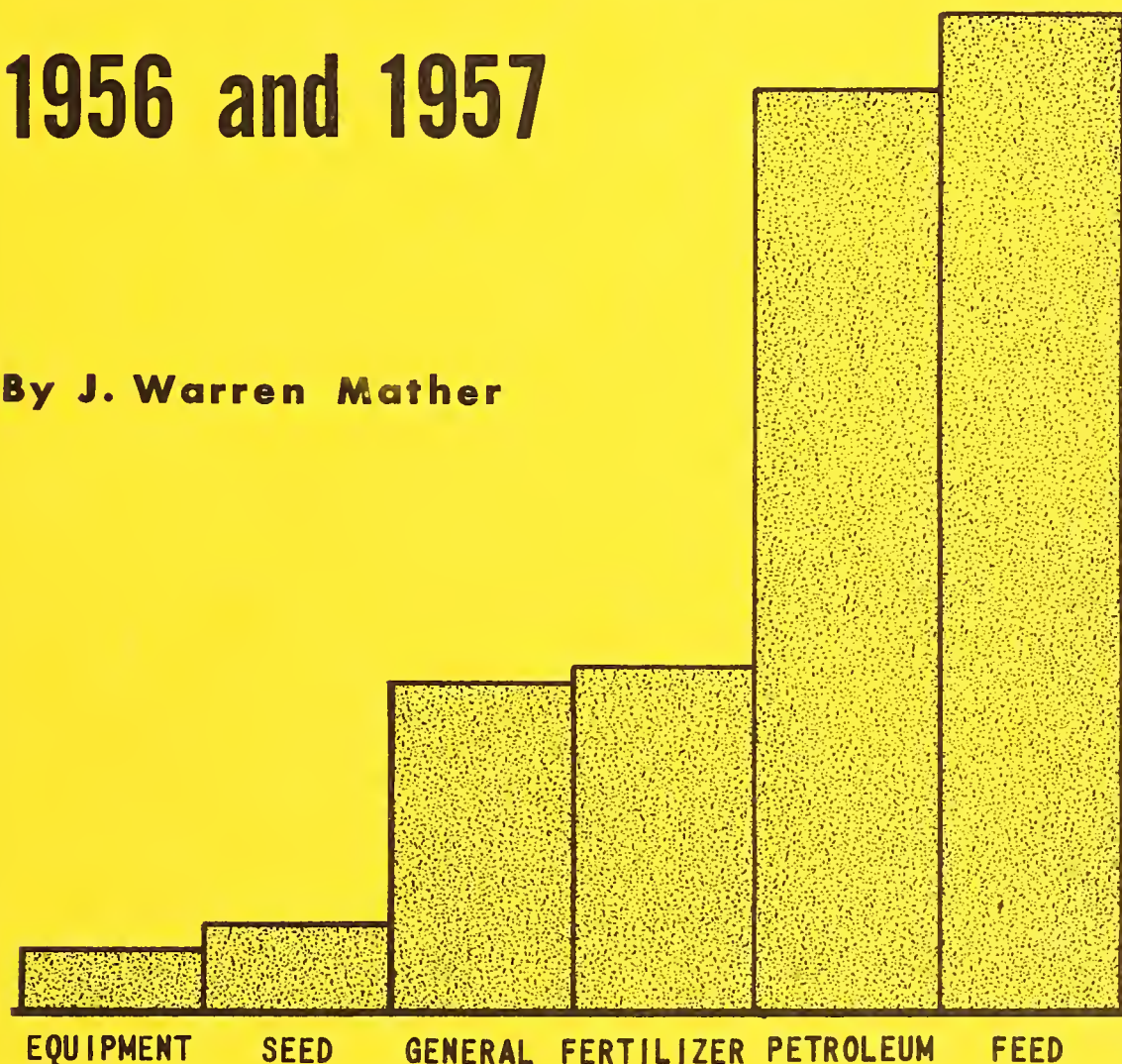
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on Major Regional Cooperatives Handling Farm Supplies 1956 and 1957

By J. Warren Mather



U.S. FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE

General Report 53

January 1959

FARMER COOPERATIVE SERVICE
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies financing, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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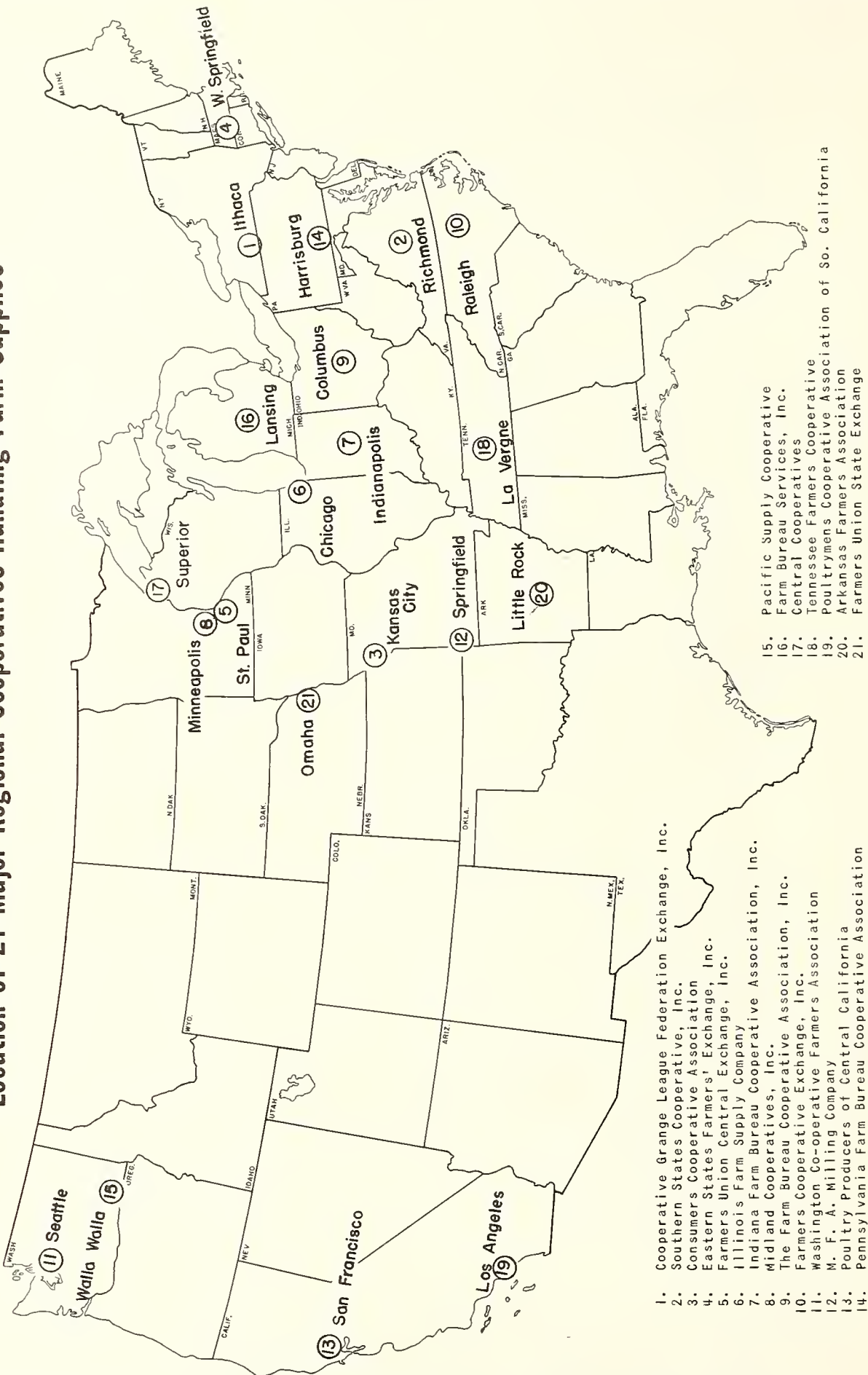
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Location of 21 Major Regional Cooperatives Handling Farm Supplies



NOTE: ASSOCIATIONS ARE LISTED IN ORDER OF TOTAL VOLUME OF RETAIL AND WHOLESALE FARM SUPPLY BUSINESS FOR 1957

HANDBOOK ON MAJOR REGIONAL COOPERATIVES HANDLING FARM SUPPLIES, 1956 AND 1957

By
J. Warren Mather
Farm Supplies Branch
Purchasing Division

Publication of this Handbook was begun at the outset of World War II. Officials of several regional cooperatives indicated the need for a publication which would point out to Federal and State agencies the importance of these cooperatives in providing farmers with essential production supplies during the war period. These Handbooks are also used by farmer cooperative leaders, educational agencies, and others. From them they have obtained a better understanding of the operations of regional cooperatives handling farm supplies and have followed trends and progress in their services to and benefits for farmers.

Part I of this Handbook gives information on each of 21 major regional cooperatives handling farm supplies in the United States for their fiscal years ending in 1956 and 1957.¹ The information presented in this Handbook on individual cooperatives was provided and authorized for publication by each organization. With one exception, each association handled more than \$10 million of farm supplies annually. The associations are presented in the order of their total wholesale and retail supply business for 1957. There was wide variation among the associations in forms of organization, methods of operation, and accounting and reporting practices. However, information presented on sales, net margins, facilities, and financial condition is quite comparable.

Part II summarizes information on the group for 1956 and 1957.

A regional association in this report refers to one which performs wholesale or manufacturing services or both for local retail cooperatives, or one which directly retails supplies to farmers over an area comprising a part of a State, an entire State, or several States. Farm supplies in this report covers all types of supplies and equipment used in farm production.

Seventeen of the 21 cooperatives performed wholesale services for retail cooperatives and other outlets of various types. The other four associations distributed all supplies direct to individual patrons. Five of the former group, however, did both wholesale and retail business. Eleven of the 21 associations also marketed farm products. In two of them, marketing dollar volume equalled or exceeded farm supply volume.

A number of major regional marketing cooperatives perform extensive farm supply services. The value of supplies distributed by three of these marketing associations, each doing more than \$7.5 million of farm supply business in 1957, is shown in Part III.

Note: Appreciation is expressed to Linden H. Martin, administrative services division, Farmer Cooperative Service, for assistance in tabulating and analyzing data contained in this report.

¹ Not included in this Handbook are a limited number of other major regional cooperatives and federations of regionals each doing more than \$10 million of farm supply business annually.

PART I

ASSOCIATION REPORTS FOR 21 MAJOR REGIONAL COOPERATIVES

Principal items considered for each of the 21 associations include: age of the associations, area of service, type and number of retail outlets, number of patrons served, membership requirements, voting provisions, number and terms of directors, number of employees, fiscal year endings, dollar volume of business, types of supplies handled, distribution of net margins, revolving capital, total cash distributions to patrons, and financial conditions of the associations for 1956 and 1957. Also, 13 of the associations reported their total net margins and distributions since they organized.

Cooperative Grange League Federation Exchange, Inc.

The Cooperative Grange League Federation Exchange, Inc., commonly known as the G.L.F., was organized June 28, 1920. It serves farmers in New York, New Jersey, and the northern tier of counties in Pennsylvania--a territory comprising most of the "New York Milkshed." Its administrative offices are in Ithaca, N. Y.

G.L.F. is a centralized cooperative in which farmers hold direct membership. Membership is open to any farmer-patron with a bona fide farm operation. Membership is obtained by acquiring one \$5 share of common stock and agreeing to the provisions of the by-laws. Each member has one vote. G.L.F.'s board of 14 directors is responsible directly to its farmer-members. Ten of the directors are nominated by districts, 2 by the New York State Grange, and 2 by the New York Farm Bureau. They serve two-year terms on a staggered basis.

Since it performs manufacturing, processing, wholesaling, transportation, insurance, and retailing services, G.L.F. is an integrated organization. At the end of the fiscal year, June 30, 1957, G.L.F. was providing these services for about 146,500 regular farmer-patrons and 62,500 nonfarmers. Farmer-patrons qualifying as members numbered about 117,700.

On June 30, 1957, G.L.F. was providing supplies and related services to its patrons through the following types of retail outlets:

<u>Retail Outlets</u>	<u>Number</u>
G.L.F. retail service stores (including 3 full branches and 1 zero food branch)	236
G.L.F. petroleum cooperatives ¹	67
G.L.F. agent buyers.....	252
Independent local cooperatives.....	21
Supplementary agents.....	10
Farmer agents.....	5
Total.....	591

¹ Includes 1 branch and 1 retail filling station.

The retail service stores are cooperative corporations managed by G.L.F. They distribute farm supplies and in some cases market farm products for patrons. The Exchange holds in trust for the local members all common stock of the retail service stores. Local farmers own the preferred stock.

Each store holds annual meetings at which time member committees are elected. The member committee has many of the powers of a local board of directors. Most of these stores are financed centrally, except for the 34 financed directly through the Baltimore and Springfield Banks for Cooperatives. The headquarters office of G.L.F. supervises them under management contracts that may be canceled at any time by the service stores.

G.L.F. petroleum cooperatives are organized in a similar way, but they are located so as to perform a specialized petroleum service for patrons over wider areas.

Between 60 and 65 percent of G.L.F.'s wholesale volume is distributed through these service stores and petroleum cooperatives.

Agent-buyers are private business operators who have been granted franchises to handle G.L.F. commodities in accordance with association policies. The independent local cooperatives are locally controlled farmer cooperatives handling G.L.F. farm supplies on the same basis as agent-buyers. In many cases they primarily are local marketing associations with purchasing as an additional service. Supplementary agents are merchants, or others, who handle certain G.L.F. products such as fertilizer or seed, but not the complete line.

Approximately 35 to 40 percent of G.L.F.'s wholesale volume is distributed through agent-buyers, independent local cooperatives, and supplementary agents.

Under the same wholesale terms, these various types of retail outlets obtain supplies for redistribution through the manufacturing and processing plants and warehouses that G.L.F. maintains at Buffalo, Albany, and other strategically located centers.

Wholesale value of supplies distributed by G.L.F. for the fiscal years ended June 30, 1956 and 1957, was:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed, grain, flour, and cereals	\$85,105,138	\$86,434,964
Fertilizer and lime (including shells, bedding, etc.)....	15,680,954	16,650,565
Petroleum products	16,087,232	17,292,282
Tires, tubes, and auto supplies	2,149,834	2,008,418
Seed and seed potatoes	7,040,890	8,662,209
Hardware (tools)	577,597	682,939
Refrigeration equipment	963,928	1,610,568
Farm equipment and parts	3,156,503	2,886,086
Steel and other metal products.....	3,126,310	3,149,465
Building material, paint, and roofing.....	2,245,669	2,157,610
Insecticides, sprays, and farm chemicals	3,209,814	3,567,682
Containers and package materials	711,433	498,739
Rope and twine.....	1,007,336	1,117,134
Lawn and garden equipment.....	715,064	1,130,845
Miscellaneous.....	1,056,475	1,191,718
Total.....	142,834,177	149,041,224

Value of supplies obtained at retail by farmers through G.L.F.-managed retail outlets for the fiscal years ended June 30, 1956 and 1957 was:

<u>Type of retail service</u>	<u>1956</u>	<u>1957</u>
G.L.F. retail service stores.....	\$99,181,791	\$105,181,278
G.L.F. petroleum cooperatives	22,410,370	24,898,328
Total.....	121,592,161	130,079,606
Services for patrons such as grinding and mixing valued at.....	3,699,533	3,653,213

In some areas, G.L.F. also supplies cooperative marketing services. The principal products marketed are eggs, grain, and beans. Marketing is conducted mainly through

retail service stores, with some separate facilities maintained for eggs and beans. The following types of marketing facilities were maintained on June 30, 1957:

<u>Marketing facilities</u>	<u>Number</u>
Grain elevator	1
Bean plants	2
Egg receiving and sales agencies	8
Terminal sales agency for beans and grain	1
Cold storage plant	1

The value of farm products marketed by G.L.F.¹ for the years ended June 30, 1956 and 1957, was:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Eggs	\$13,130,152	\$11,212,657
Fruits and vegetables.....	767,339	701,207
Grain	6,400,628	8,917,499
Beans.....	3,513,796	3,009,983
Hay and straw.....	294,711	223,179
Miscellaneous.....	38,938	47,456
Total.....	24,145,564	24,111,981

In addition, in 1956, through these marketing units, patrons purchased egg cases, seed, containers, fertilizer, sprays, storage, and other services valued at \$1,181,774. In 1957 the value of these items was \$1,247,621.

Net margins of the combined G.L.F. system and their distribution for the fiscal years ended June 30, 1956 and 1957 were as follows:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Federal income taxes.....	\$2,800,463	\$2,894,951
Cash dividends on capital stock.....	1,811,133	1,799,654
Patronage refunds (cash).....	1,944,511	2,062,423
Additions to capital reserves.....	1,966,264	2,053,783
Total.....	8,522,371	8,810,811

Of these total net margins, before taxes, approximately 56 percent in 1956 and 65 percent in 1957 were derived from manufacturing, wholesale purchasing, and regional marketing operations.

Patronage refunds in both 1956 and 1957 were declared by the local retail service stores, petroleum cooperatives, and marketing agencies. The by-laws of G.L.F. permit the board of directors to set aside reasonable reserves before the payment of wholesale patronage refunds by the Exchange.

Total net margins of the combined G.L.F. system since organization in 1920 have been \$122,068,093. Of this amount, G.L.F. paid \$18,806,081 in cash dividends on capital stock, \$50,415,064 as cash patronage refunds, \$18,004,183 in Federal income taxes, and \$34,842,765 was added to the general reserve and surplus account.

The financial condition of the combined G.L.F. system, including wholesale divisions, financing and insurance subsidiaries, retail service stores, petroleum cooperatives, and marketing associations as of June 30, 1956 and 1957, is shown in the following condensed balance sheet:

¹ Includes marketing by service stores.

	1956	1957
Assets:		
Current assets.....	\$49,881,105	\$53,283,056
Fixed assets (net).....	32,867,668	34,715,298
Other assets (investments).....	8,337,468	7,531,334
Total.....	91,086,241	95,529,688
Liabilities and patrons' equities:		
Current liabilities	16,805,779	18,464,047
Other liabilities	9,299,968	10,229,568
Capital stock and patrons' equities	64,980,494	66,836,073
Total.....	91,086,241	95,529,688

The following tabulation shows the number and value of the principal facilities owned and operated by G.L.F. and its affiliated service stores and petroleum and marketing cooperatives on June 30, 1957:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Wholesale:			
Feed mills	4	\$10,048,424	\$6,532,846
Fertilizer and insecticide plants	13	5,902,402	3,722,174
Seed (cleaning) plants.....	7	1,733,589	1,150,484
Farm supply warehouses	8	1,168,478	651,139
Petroleum bulk storage terminals	8	2,392,970	1,942,876
Marketing warehouse, storage, and processing plants	12	1,595,623	1,038,076
Office buildings and equipment.....	-	2,465,359	1,674,040
Flour and cereal mills and elevators	2	383,252	254,446
Radio network.....	5	234,244	123,667
Other facilities	-	285,015	171,744
Sub-total.....	-	26,209,356	17,261,492
Distribution:			
Retail service stores	235	22,271,682	14,415,046
Bulk petroleum plants	67	5,259,209	2,744,606
Freezer-locker plants.....	1	55,466	17,295
Marketing warehouse, storage, and processing units.....	-	357,526	276,859
Sub-total.....	-	27,943,883	17,453,806
Total.....	-	54,163,239	34,715,298

G.L.F. also had \$4,467,988 invested in federations of regional cooperatives and allied companies which operated various manufacturing and wholesaling facilities.

On June 30, 1957, the G.L.F. system had 4,626 employees. Of these, 372 were in general administrative activities, 557 in wholesale distribution, 764 in manufacturing and processing operations, 2,683 in retail distribution, and 250 in marketing farm products. These figures do not include retail employees of independent cooperatives or agent-buyers and their employees who may spend most of their time in distributing G.L.F. farm supplies. The figures for the operating groups performing retail, wholesale, and manufacturing services include administrative, accounting, and clerical employees.

Southern States Cooperative, Inc.

The Southern States Cooperative, Inc., (S.S.C.), Richmond, Va., was organized on July 21, 1923, as the Virginia Seed Service. When its charter was amended in 1930, it became the first purchasing cooperative chartered under the Virginia Cooperative Marketing Act. The present name was adopted in 1933.

At the end of its operating year on June 30, 1957, it was furnishing supplies through local cooperatives, service agencies, and farmer agents to 362,048 members in Virginia, West Virginia, Kentucky, Maryland, Delaware, and Tennessee. The number of non-farmers served was estimated at 42,000. Eighty-two percent of its patrons were members.

S.S.C. is both a centralized and federated cooperative with both cooperatives and farmers directly holding membership in it, but in practice it operates on a federated basis. Either a farmer-patron or an agricultural cooperative becomes a member by acquiring one or more shares of \$1 par value common stock, which may be issued in payment of patronage refunds, and by agreeing to provisions of the bylaws. Each member has only one vote.

S.S.C. had 160,284 direct farmer members on June 30, 1957. They were located in areas served by private dealer-agents of S.S.C. The members served by each dealer-agent elect an advisory board of 6 members to vote for and represent the group in all matters at the annual meeting of S.S.C., the same as do directors of local member cooperatives.

S.S.C. has 15 directors of which 9 are elected by districts for staggered terms of 3 years. The other 6 are public directors appointed for 3-year terms on a staggered basis, one each by the Director of Extension Service of the Land Grant College in each of the 6 States in which S.S.C. operates.

On June 30, 1957, Southern States Cooperative was providing supplies and related services to its patrons through the following types of retail outlets:

<u>Retail outlets</u>	<u>Number</u>
Local affiliated cooperatives:	
Farm supply stores with management contracts.....	126
Farm supply stores without management contracts.....	51
Petroleum service plants with management contracts	26
Egg marketing with management contracts.....	1
Service agencies (privately owned)	<u>548</u>
Total.....	752

Local affiliated cooperatives with management contracts are separately incorporated associations. Their boards of directors employ Southern States to perform certain management, accounting, auditing, and financial services on a fee basis. It is through these farm supply and petroleum cooperatives that Southern States distributes approximately 40 percent of its wholesale volume. Those associations without management contracts are independent cooperatives which use the association as a source of wholesale supplies.

Service agencies are private retail farm supply dealers who have been awarded the Southern States franchise upon recommendation of the local membership. Under the terms of this franchise, dealers handle the supplies under conditions agreed upon. Approximately 60 percent of the associations wholesale volume is distributed through these agencies and the farm supply cooperatives without management contracts.

Several subsidiary cooperatives conduct the feed and fertilizer manufacturing operations of Southern States Cooperative, Inc., S.S.C. wholly owns some of these subsidiaries, but a number of wholesale farmer cooperatives jointly own others and use them as a source of some or all of their feed and fertilizer requirements.

Other participating associations in these subsidiaries are the Farmers Cooperative Exchange, Raleigh, N. C.; Pennsylvania Farm Bureau Cooperative Association, Harrisburg, Pa.; The Farm Bureau Cooperative Association, Columbus, Ohio; and The Cotton Producers Association, Atlanta, Ga. Ownership is in proportion to use or patronage and is annually adjusted to maintain ownership on that basis. Each of the participating cooperatives pay its exact share of operating expenses and therefore obtains manufacturing service at cost.

The value of supplies distributed at wholesale and the value of supplies manufactured for the account of affiliated regional cooperatives for the fiscal years ended June 30, 1956 and 1957, were:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$54,009,702	\$68,507,823
Fertilizer	12,475,803	13,331,232
Seed.....	5,737,436	6,050,131
Petroleum products and equipment	7,498,721	8,506,362
Auto accessories.....	1,196,504	1,601,104
Farm equipment and tools.....	2,229,758	2,585,448
Hardware and steel products	4,696,549	4,826,908
Paint and asphalt.....	907,432	1,039,488
Insecticides, sprays, and chemicals.....	1,869,455	2,226,621
Electrical equipment and appliances	1,087,427	1,194,241
Miscellaneous.....	280,842	513,364
Total.....	91,989,629	110,382,722

Supplies manufactured for the account of other regional cooperatives totaled \$12,984,028 in fiscal year 1956 and \$16,165,881 in fiscal year 1957.

Value of supplies distributed at retail outlets managed by Southern States Cooperative amounted to \$51,458,483 in fiscal year 1956 and \$63,178,872 in fiscal year 1957.

Southern States Cooperative has marketing services for several farm products produced by members. On June 30, 1957, the association operated 2 terminal egg sales agencies and 3 terminal grain marketing services.

Value of farm products marketed through Southern States Cooperative the last two fiscal years was:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Eggs	\$2,974,031	\$2,341,726
Grain	9,501,040	17,009,308
Total.....	12,475,071	19,351,034

Net margins available to patrons on S.S.C. wholesale, retail, and marketing operations and their distribution in fiscal years 1956 and 1957 were as follows:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash dividends on capital stock.....	\$1,365,709	\$1,481,110
Patronage refunds:		
Cash.....	1,562,733	2,554,442
Stock and equities.....	3,482,413	2,892,336
Retained in reserves and adjustments	65,219	253,715
Total.....	6,476,074	7,181,603

Of these total net margins, approximately 80 percent in the fiscal year 1956 and 77 percent in fiscal year 1957 were derived from manufacturing and wholesale purchasing operations, and the remaining proportions were derived from local retail and marketing operations.

For the fiscal year ended June 30, 1956, the association retired voting stock amounting to \$53,616, issued originally in the payment of patronage refunds. For the year ended June 30, 1957, the redemptions totaled \$67,061. For many years the policy has been to retire upon request, at par value, the voting stock issued 10 years previous.

Total net margins available to patrons of the combined S.S.C. system since organization in 1923 have been \$60,851,286. Of this amount, S.S.C. paid \$11,845,181 as cash dividends on capital stock and \$37,387,203 as patronage refunds in cash, capital stock, and equities; and it retained the remaining \$11,618,902 for capital as general reserves. The total amount of capital stock retired under a revolving capital plan was \$3,357,990.

The financial condition of Southern States Cooperative, Inc., its wholly owned subsidiaries and partly owned manufacturing subsidiaries, and its affiliated local retail cooperatives, on June 30, 1956 and 1957, is shown in the following consolidated statement:

	1956	1957
Assets:		
Current assets.....	\$29,235,928	\$36,874,470
Fixed assets (net).....	19,326,853	22,086,245
Other assets.....	6,220,256	5,943,326
Total.....	54,783,037	64,904,041
Liabilities and net worth:		
Current liabilities	4,974,417	5,556,345
Deferred liabilities.....	7,650,958	14,122,154
Net worth or members' or patrons' equities.....	42,157,662	45,225,542
Total.....	54,783,037	64,904,041

Following is a tabulation of the number and value of facilities owned and operated by the Southern States Cooperative, Inc., its subsidiaries, and affiliated local cooperatives on June 30, 1957:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Regional--Wholesale:			
Headquarters building	1	\$2,161,971	\$1,620,998
Poultry and egg marketing outlets	2	264,924	172,733
Feed mills	6	9,137,212	7,173,521
Fertilizer plants	6	2,663,828	1,766,104
Seed cleaning plants and wholesale farm supply warehouses.....	9	3,266,851	2,061,776
Petroleum terminals and transport equipment	3	772,006	593,269
Research and analysis laboratory.....	1	30,739	14,250
Grain marketing facilities.....	3	462,716	331,826
Other facilities	-	783,250	434,382
Sub-total.....	-	19,543,497	14,168,859
Local--Retail:			
Service stores	125	8,535,123	6,690,903
Bulk petroleum plants	26	2,004,668	1,226,483
Sub-total.....	-	10,539,791	7,917,386
Total.....	-	30,083,288	22,086,245

S.S.C. also had \$373,700 invested in federations of regional cooperatives plus \$3,598,835 in allied companies operating various manufacturing and wholesaling facilities. These investments are included in "other assets" in S.S.C.'s balance sheet.

On June 30, 1957, S.S.C. had 2,582 employees. Of these 471 were engaged in general administrative activities, 1,188 in manufacturing and processing operations, 71 in whole-sale distribution, 753 in retail distribution, and 99 in farm product marketing.

Consumers Cooperative Association

The Consumers Cooperative Association (known as CCA), with headquarters in Kansas City, Mo., was organized in 1929. As of August 31, 1957, CCA was serving 1,716 local and regional member associations. The locals mainly are located in Colorado, Iowa, Kansas, Missouri, Nebraska, North and South Dakota, Oklahoma, and Wyoming. These associations, in turn, serve approximately 460,000 patrons, about 98 percent of them farmers. Approximately 1 percent of these local co-ops were under management or supervision agreements with CCA.

Membership in CCA is limited to cooperatives and is obtained by acquiring one \$25 share of common stock and by agreeing to the provisions of the by-laws. Each member association has only one vote. CCA has 21 directors elected by districts for staggered terms of 3 years.

Crude oil production, pipe line transportation, and refinery operations are carried on for CCA by a wholly-owned subsidiary, The Cooperative Refinery Association (CRA).

CCA owns 75 percent of the common stock of another subsidiary, The Cooperative Farm Chemicals Association (CFCA), incorporated October 5, 1951, to operate an agricultural nitrogen plant at Lawrence, Kans. This plant, costing over \$17 million, has a rated annual capacity of 110,000 tons of nitrogen fertilizer. The other one-fourth of the common stock of CFCA is owned by Central Farmers Fertilizer Company, Chicago, Ill., a federation of regional cooperatives.

Production and manufacturing operations of CCA and its subsidiaries provide practically all the refined fuels, lube oil, and grease, and most of the feed, fertilizer, and paint supplied to patrons.

CCA has two other wholly-owned subsidiaries: The cooperative Finance Association, Inc., which helps finance local member cooperatives, and The Consumers Insurance Agency, Inc., which provides insurance services for member locals. CCA also owns about 71 percent of the Consumers Cooperative Services, Inc., which is a retail cooperative serving 12 locations. This group of subsidiaries has not been included in the consolidated financial statements because their activities are not similar to those of CCA, CRA, and CFCA.

A consolidated summary of merchandise furnished by CCA and its subsidiaries, CRA and CFCA, for the fiscal years ended August 31, 1956 and 1957, follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Petroleum products	\$70,547,307	\$80,586,425
Petroleum equipment	1,336,108	1,539,649
Feed	5,639,026	7,073,980
Fertilizer	10,702,763	12,998,957
Lumber, paint, and building supplies.....	3,636,410	3,428,972
Farm equipment.....	216,577	491,434
Tires, tubes, and auto accessories	3,543,819	4,614,236
Insecticides.....	914,175	1,144,077
Appliances	519,097	575,874
Miscellaneous.....	567,271	895,054
Total.....	97,622,553	113,348,658

Total consolidated net margins of CCA and its two subsidiaries, CRA and CFCA, available to patrons in 1955-56 and 1956-57 and their distribution were:

<u>Distribution of net margins</u>	<u>1956¹</u>	<u>1957</u>
Cash dividends on stock.....	\$257,630	\$478,623
Patronage refunds:		
Cash	639,382	781,803
Capital stock and revolving funds	2,329,830	2,886,328
Additions to surplus.....	1,828,477	2,298,603
Total.....	5,055,319	\$6,445,357

¹ Revised for subsequent adjustments.

Twenty-two percent of the 1955-56 patronage refund and 21 percent of the 1956-57 refund were paid in cash.

Cash payments to retire deferred refunds amounted to \$1,388,487 in 1955-56 and \$1,038,247 in 1956-57. The association has now retired all deferred patronage refunds through 1947 and 50 percent of the 1948-50 deferred refunds.

Total cash distributed to patrons, including dividends on capital stock (but not interest on certificates of indebtedness), current refunds paid in cash, and the retirement of deferred refunds amounted to \$2,285,499 in the 1955-56 fiscal year and \$2,298,673 in the 1956-57 fiscal year.

Consolidated balance sheets of CCA and its subsidiaries, CRA and CFCA, for the fiscal years ended August 31, 1956 and 1957, were:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$22,082,266	\$23,539,971
Fixed assets (net).....	44,279,960	45,583,947
Other assets.....	10,490,615	12,889,486
Total.....	76,852,841	82,013,404
Liabilities and net worth:		
Current liabilities	17,333,825	17,446,613
Other liabilities	25,077,991	22,997,898
Net worth.....	34,441,025	41,568,893
Total.....	76,852,841	82,013,404

Principal facilities owned and operated by CCA, CRA, and CFCA on August 31, 1957, were:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Petroleum refineries	3	\$19,474,373	\$12,400,476
Crude oil production:			
Facility (equipment).....	-	9,987,008	6,326,089
Oil reserve (leaseholds)	-	14,351,881	4,358,263
Pipe lines (miles).....	980	4,967,106	3,389,560
Distribution and transportation:			
Warehouses and terminals ¹	19	1,031,107	772,429
Highway transports.....	95	1,430,982	771,846
Manufacturing:			
Fertilizer plants ²	4	19,852,801	16,570,136
Feed mills	2	448,781	286,665
Other plants	3	165,597	88,053
Headquarters.....	-	676,384	314,030
Nonoperating properties	-	402,093	306,400
Total.....	-	72,788,113	45,583,947

¹ Warehouses at 9 locations, terminals at 10 locations.

² Includes nitrogen fertilizer plant operated by the Cooperative Farm Chemicals Association, Lawrence, Kans.

CCA, CRA, and CFCA also had invested \$10,843,289 in other federations of regional cooperatives which operate various manufacturing and wholesale facilities. These investments are included in "other assets" on the consolidated balance sheet.

Consumers Cooperative Association and its subsidiaries, CRA and CFCA, had 2,047 employees on August 31, 1957. They included 348 engaged in general administrative activities, 837 in oil production and refining, 404 in manufacturing plants (other than refining), and 458 in wholesale distributing, including transportation terminals and warehouses.

Eastern States Farmers' Exchange, Inc.

The Eastern States Farmers' Exchange, Inc., with headquarters in West Springfield, Mass., was organized on January 28, 1918. At the end of 1957, it was serving over 244,000 patrons in the six New England States, Pennsylvania (except for the northern tier counties), Delaware, and Maryland.

Eastern States Farmers' Exchange is a centralized cooperative with farmers holding direct membership in it. Membership is determined by patronage; Eastern States has no capital stock or membership fees. Every farmer who purchases through the association becomes a member and remains a member for the calendar year following the date of his last purchase. Each member has one vote only. About 6 percent of the 1957 volume of business was with nonfarmer patrons.

Eastern States had 53 directors in 1957. Their terms are three years with one-third elected each year. The executive committee consists of twelve members plus the president.

The association serves patrons by means of 373 farmer-representatives, 14 independent cooperatives that also serve as representatives, and 98 regional branch service centers strategically located to supplement local car-door distribution.

Eastern States is an integrated farmers' nonstock, nonprofit cooperative agency for procuring production supplies for its members. It processes a large proportion of the items it handles.

Value of supplies distributed to patrons was \$85,375,092 for the fiscal year ended December 31, 1956 and \$83,444,497 in 1957.

Total net savings available to patrons and their distribution in 1956 and 1957 were as follows:

<u>Distribution of net savings</u>	<u>1956</u>	<u>1957</u>
Patronage refunds in cash.....	\$2,379,594	\$2,196,528
Amount allocated to patrons and retained.....	<u>1,105,000</u>	<u>1,065,000</u>
Total.....	3,484,594	3,261,528

Total net savings since organization in 1918 have been \$57,326,096. Of this amount, \$28,147,868 was paid in cash patronage refunds and the remaining \$29,178,228 was allocated to patrons and retained as capital.

The financial statement for Eastern States Farmers' Exchange as of December 31, 1956 and 1957, was as follows:

	<u>1956</u>	<u>1957</u>
Assets:		
Current Assets	\$15,355,904	\$15,827,276
Fixed assets (net).....	22,700,203	22,852,873
Other assets.....	<u>1,077,391</u>	<u>1,221,066</u>
Total.....	39,133,498	39,901,215

	<u>1956</u>	<u>1957</u>
Liabilities and net worth:		
Current liabilities	\$6,220,270	\$6,222,987
Fixed indebtedness	4,800,000	4,500,000
Net worth (patrons' equities)	<u>28,113,228</u>	<u>29,178,228</u>
Total.....	39,133,498	39,901,215

Eastern States had no investments in federations of regional cooperatives which operated manufacturing and wholesaling facilities at the end of 1957.

On December 31, 1957, Eastern States had 1,834 employees. Of these, 480 were engaged in general and administrative activities, 754 in manufacturing and processing operations, 50 in research activities, and 550 in distributing operations through its service centers.

Farmers Union Central Exchange, Inc.

The Farmers Union Central Exchange, Inc., with headquarters at St. Paul, Minn., was organized in 1931. At the end of December 31, 1957, it was serving 453 local member associations with approximately 163,000 patrons, 90 percent of them farmers, and 295 nonmember cooperatives with 108,000 patrons, 90 percent of them farmers. The Exchange operates in North Dakota, South Dakota, Montana, Minnesota, Wisconsin, Wyoming, Idaho, and Washington.

Farmers Union Central Exchange distributed supplies at wholesale during its fiscal years ended December 31, 1956 and 1957 as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$3,878,654	\$4,291,815
Seed.....	510,716	693,070
Fertilizer	4,114,270	5,275,209
Petroleum products	44,124,788	48,503,521
Tires, tubes, and other accessories.....	6,107,250	6,762,614
Farm machinery	2,270,340	2,574,737
Milking machines	107,818	113,243
Paint.....	315,513	380,250
Hardware and building materials.....	2,786,991	2,807,276
Electrical equipment and appliances	575,874	726,032
Twine.....	623,712	765,513
Agricultural chemicals.....	835,074	1,100,907
L.P. gas equipment.....	745,349	787,133
Oil equipment	746,204	818,700
Miscellaneous.....	<u>208,124</u>	<u>192,435</u>
Total.....	67,950,677	75,792,455

The Exchange derived net margins available to patrons for fiscal years 1956 and 1957 as follows:

<u>Source of net margins</u>	<u>1956</u>	<u>1957</u>
Manufacturing and wholesaling operations.....	\$5,708,702	\$6,147,067
Net savings in form of stock and stock credits from other cooperatives.....	<u>1,678,034</u>	<u>2,430,481</u>
Total ¹	7,386,736	8,577,548

¹ In addition, price adjustments paid quarterly in cash on the purchases of certain petroleum products by local cooperatives totaled \$1,180,741 in 1956 and \$1,654,142 in 1957.

The association distributed these net margins as follows:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash dividends on capital stock.....	-0-	-0-
Patronage refunds in capital stock.....	\$5,807,392	\$6,657,624
Service expense	264,452	281,403
Employees' saving-sharing fund.....	369,337	428,877
Amount retained in capital reserves	<u>945,555</u>	<u>1,209,644</u>
Total.....	7,386,736	8,577,548

Capital stock amounting to \$1,757,643, originally issued in payment of patronage refunds, was retired in 1956 under a revolving capital plan. The amount retired in 1957 was \$1,747,063. The association has now retired all such capital stock issued through 1948.

A condensed financial statement of the Farmers Union Central Exchange, Inc., for December 31, 1956 and 1957, follows:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$24,927,970	\$26,777,276
Fixed assets (net).....	10,651,718	14,558,331
Other assets.....	1,632,061	3,082,011
Investments.....	<u>11,687,789</u>	<u>13,287,418</u>
Total.....	48,899,538	57,705,036
Liabilities and net worth:		
Current liabilities	10,314,535	12,288,726
Net worth (capital and reserves)	<u>38,585,003</u>	<u>45,416,310</u>
Total.....	48,899,538	57,705,036

Facilities owned and operated by the association at the close of 1957 included:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Fertilizer plants	10	\$374,241	\$368,970
Wholesale farm supply warehouses.....	11	1,226,800	1,031,798
Oil blending plant and main buildings and equipment	1	4,359,078	3,798,161
Automobiles and trucks	-	825,278	557,605
Furniture and fixtures.....	-	756,885	322,828
Refinery property.....	1	13,137,846	7,909,275
Bottled gas plants and equipment.....	24	<u>747,606</u>	<u>569,694</u>
Total.....	-	21,427,734	14,558,331

The Exchange also had \$13,287,418 invested in federations of regional cooperatives which operated manufacturing and wholesaling facilities.

On December 31, 1957, the Farmers Union Central Exchange had 797 employees. Of these, 376 were engaged in general and administrative activities, 205 in manufacturing and processing operations, and 216 in wholesale distribution, including warehousing and transportation.

Illinois Farm Supply Company

The Illinois Farm Supply Company, with headquarters in Chicago, was organized in 1927. At the end of its operating year on August 31, 1957, it was providing manufacturing and wholesale farm supply services for 100 Class "A" member service companies and 39 Class "B", "C", and "D" member companies throughout Illinois. Most of these associations operated over countywide areas and served about 100,000 patrons, 85 per cent of them farmers.

Each member company is required to own one share of common stock (no par value). Preferred stock is used for financing. Each share of capital stock has one vote because Illinois laws governing capital stock corporations grant voting privileges to all classes of capital stock. Class "A" members are the county service companies handling petroleum, feed, plant food, and general farm supplies; all have membership agreements with Illinois Farm Supply Company. The Class "B", "C", and "D" members consist of other types of supply and marketing cooperatives and a few county Farm Bureaus.

This State and county cooperative system operates on a federated basis with local Farm Bureau members owning the county companies. These companies in turn own the Illinois Farm Supply Company and elect 9 of its directors for 1-year terms on a district basis. In addition, 2 directors of the Illinois Agricultural Association--the State Farm Bureau organization--are selected to serve on the board for 1-year terms.

From a technical standpoint, however, legal control and supervision of this cooperative system rests with the Illinois Agricultural Association. It holds a majority of the voting shares of capital stock in the Illinois Farm Supply Company, and the latter holds a majority of the voting stock in most of its member service companies.

Value of supplies distributed at wholesale by the Illinois Farm Supply Company during the fiscal years ended August 31, 1956 and 1957, was:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$13,171,976	\$14,228,146
Fertilizer	10,188,161	11,567,864
Petroleum products	35,909,600	35,237,836
Tires, tubes, and accessories	877,612	1,021,196
Farm equipment	1,099,234	1,060,242
Steel products	1,222,489	1,412,909
Lumber, paint, and other maintenance equipment	633,260	632,443
Insecticides	497,900	550,663
Twine	131,898	199,825
Antifreeze and office supplies	112,602	98,213
Total	63,844,732	66,009,337

Total net margins from all manufacturing, wholesaling, and transportation operations available to member companies and their distribution in 1956 and 1957 fiscal years were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash dividends on capital stock	\$248,298	\$257,565
Patronage refunds:		
Cash	1,988,777	1,962,439
Capital stock	300,000	300,000
Amount retained in surplus	500,000	529,730
Total	3,037,075	3,049,734

Total net margins after taxes available to member companies since organizing in 1927 have been \$36,831,858. Of this amount, the Illinois Farm Supply Company paid \$2,934,274 as dividends on capital stock, \$26,357,726 as cash patronage refunds, \$2,953,700 as patronage refunds in capital stock, and retained the remaining \$4,586,158 as surplus.

The financial condition of the Illinois Farm Supply Company on August 31, 1956 and 1957, was:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$12,950,664	\$14,500,162
Fixed assets (net).....	8,368,263	8,470,686
Other assets.....	3,108,159	2,138,946
Total.....	24,427,086	25,109,794
Liabilities and net worth:		
Current liabilities	6,249,130	6,671,464
Other liabilities	5,420,000	4,920,000
Net worth or members equities.....	12,757,956	13,518,330
Total.....	24,427,086	25,109,794

On August 31, 1957, the Illinois Farm Supply Company had accumulated 66 percent of its net worth through the sale of stock, and 34 percent through retained savings.

This company has one wholly-owned subsidiary--the Loudon Pipeline Company--which operates crude oil pipelines and a small amount of production properties. Only the investment the Illinois Farm Supply Company has as capital stock in this subsidiary is included in its balance sheet.¹

The type, number and value of the principal operating facilities owned by the Illinois Farm Supply Company and its wholly-owned subsidiary as of August 31, 1957, were:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Feed mills	3	\$3,640,929	\$2,957,704
Marine terminal bulk petroleum plants.....	3	1,006,241	618,683
Transport trucks.....	230	1,770,336	899,589
Barges and towboats	7	1,223,421	797,045
Plant food plant.....	2	3,345,793	2,291,628
Petroleum refinery.....	1	1,860,548	503,636
Other facilities	-	-	-
Construction in progress	-	288,851	288,851
Sub-total.....	-	13,136,119	8,357,136

Properties represented by capital stock invested in its subsidiary, Loudon Pipeline Co., and included in "other assets" were:

		<u>Cost value</u>	<u>Depre- ciated value</u>
Pipeline.....	-	\$550,807	\$83,880
Crude oil properties	-	239,502	202,365
Sub-total.....	-	790,309	286,245

¹ This represents \$675,000. Total equity of Loudon Pipeline Company is \$973,363.

Illinois Farm Supply Company also had \$1,005,433 invested in federations of regional cooperatives and allied companies which operated various refining, producing, manufacturing, and wholesaling facilities.

The Illinois Farm Supply Company and its subsidiary had 777 employees on August 31, 1957. Of these, 323 were in general and administrative activities, 298 in manufacturing and processing operations, and 156 in wholesale distribution, including transportation and warehousing.

Indiana Farm Bureau Cooperative Association, Inc.

The Indiana Farm Bureau Cooperative Association, Inc., with headquarters in Indianapolis, Ind., was organized in its present form in February, 1927. At the end of its operating year, December 31, 1957, it was serving 85 county farm bureau cooperatives in Indiana¹ and 1 in Kentucky. These 86 associations were distributing supplies to approximately 140,000 patrons, about 90 percent of them farmers. None of the county associations were under management and financing arrangements with the State organization.

Membership in this State association is limited to the county associations just mentioned, which hold all of the State associations' voting stock. Membership is obtained by purchasing one \$100 share of common voting stock and agreeing to the provisions of the bylaws. Each member association has only one vote.

The State association has 10 directors elected by districts for 3-year terms, and 1 public director appointed annually by the board of directors. The Indiana Farm Bureau Cooperative Association is independent of the Indiana Farm Bureau Federation, but frequently one or more directors may be on the boards of both organizations. The same relationship exists among the county farm bureau cooperatives and the county farm bureaus.

The value of supplies distributed at wholesale by the association during the fiscal years ended December 31, 1956 and 1957 follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$10,704,357	\$11,418,797
Seed.....	1,596,139	1,454,492
Fertilizer	12,968,358	13,507,816
Gas, oil, and grease.....	21,341,503	23,733,654
Tires, tubes, and other accessories.....	582,171	593,247
Farm machinery and parts.....	1,521,265	1,342,910
Farm equipment.....	656,488	317,045
Steel products.....	2,928,149	3,027,354
Lumber, paint, and other maintenance equipment.....	3,888,568	3,798,235
Insecticides.....	827,932	914,322
Electrical equipment and appliances	396,902	475,326
Twine.....	174,505	185,650
Coal.....	599,386	684,245
Chicks, eggs, and turkey poults.....	298,324	266,401
Hog serum and virus.....	103,615	-0-
Hardware.....	634,123	751,583
Miscellaneous ¹	497,740	522,115
Total.....	59,719,525	62,993,192

¹ Includes such items as bulk plant equipment, printing supplies, and wool grower's supplies.

The State association operates 4 retail branches for distribution of farm machinery and other equipment. Retail sales were \$331,299 in 1956 and \$513,044 in 1957.

The State association moved into marketing in recent years. Its first venture was in March 1947 when it started the Poultry and Egg Department. In October 1947 the Indiana

¹ Many of these county cooperatives also market grain, wool, poultry, eggs, and other products.

Wool Growers merged with the association, and in October 1949 the Indiana Grain Cooperative merged with the association. On December 31, 1957, the Indiana Grain Marketing Division of the association was serving 102 locally owned cooperative elevators in the State.

Sales value of farm products marketed by the State association during 1956 and 1957 was:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Grain	\$86,344,076	\$80,311,021
Poultry.....	5,125	3,142
Eggs	1,130,794	591,984
Wool	1,606,545	917,584
Total.....	89,086,540	81,823,731

In 1956 the Wool Department handled 1,623,000 pounds of wool, or approximately 68 percent of production in the State. In 1957, the Wool Department handled 1,768,800 pounds, or approximately 71 percent of production in the State.

In its fiscal year ending December 31, 1956, the Grain Division marketed 51,055,000 bushels of grain. In its year ending December 31, 1957, it marketed 45,995,000 bushels of grain.

Total net margins from purchasing and marketing operations available to patrons and their distribution for 1956 and 1957 were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash dividends on capital stock.....	\$351,724	\$410,361
Patronage refunds:		
Cash	1,195,266	1,182,940
Capital stock	3,549,100	3,518,400
Amount retained in capital reserves	-0-	-0-
Total.....	5,096,090	5,111,701

The cooperative derived approximately 80 percent of these net margins in 1956 and 83 percent in 1957 from supply purchasing operations. It derived the remaining proportions from marketing operations.

During 1956 the association retired \$1,168,800 of common stock, originally issued in payment of patronage refunds, under its revolving capital plan. As of December 31, 1956, the association had retired all common stock issued through 1946 and 50 percent of that issued in 1947. In January 1957, it retired approximately 50 percent of the 1947 stock totaling \$1,155,700.

In 1957 the association retired \$1,167,500 of common stock, and by December 31, 1957, it had retired all common stock issued through 1947. In January 1958, it retired 30 percent of the 1948 stock, totaling \$1,214,700.

The financial condition of Indiana Farm Bureau Cooperative Association, Inc., on December 31, 1956 and 1957 is shown in the following condensed statement:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$26,608,726	\$30,636,896
Fixed assets (net).....	18,841,339	22,083,540
Other assets.....	6,422,956	6,181,253
Total.....	51,873,021	58,901,689

	1956	1957
Liabilities and net worth:		
Current liabilities	\$8,678,016	\$7,212,514
Other liabilities	3,230,732	6,828,942
Net worth (capital and reserves)	39,964,273	44,860,233
 Total.....	 51,873,021	 58,901,689

On December 31, 1957, the association reported that 74 percent of its net worth represented retained savings. The remaining 26 percent had been accumulated through the sale of stock.

At the close of 1957, the principal wholesale purchasing, manufacturing, and marketing facilities included:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Fertilizer plants	4	\$4,880,511	\$2,642,953
Seed cleaning plant	1	403,829	333,544
Wholesale farm supply warehouse	1	631,052	472,798
Petroleum refinery.....	1	7,151,627	4,162,231
Products pipeline and in terminals (miles)...	228	6,741,161	5,871,136
Transport trucks.....	31	445,457	186,161
General delivery trucks.....	37	111,528	57,946
Barges	8	308,794	202,264
General office building	1	647,583	533,648
Oil well equipment.....	-	3,143,414	1,346,164
Grain terminals	3	6,397,812	5,254,554
Lumber center.....	1	153,697	134,475
Insecticide plant.....	1	193,114	151,708
Hatcheries	29	419,657	119,043
Poultry and egg plants.....	2	167,604	87,410
Other facilities	-	976,424	527,505
 Sub-total.....	 -	 32,773,264	 22,083,540
 Properties represented by capital stock in- vestments included in "other assets":			
Crude oil properties (intangible cost)....	-	7,330,770	2,932,480
Crude oil pipeline and equipment of sub- sidiary (Farm Bureau Oil Co.).....	-	1,977,447	816,587
 Sub-total.....	 -	 9,308,217	 3,749,067
 Total facilities.....	 -	 42,081,481	 25,832,607

The association also had \$1,998,801 invested in federations of regional cooperatives which operated various manufacturing and wholesaling facilities. These investments are included in "other assets" of the association.

On December 31, 1957, the Indiana Farm Bureau Cooperative Association had 1,181 employees. Of these, 291 were engaged in general and administrative activities, 341 in manufacturing and processing operations, 23 in retail distribution, 328 in wholesale distribution including warehousing and transportation, and 198 in marketing farm products.

Midland Cooperatives, Inc.

Midland Cooperatives, Inc., with headquarters at Minneapolis, Minn., was organized on September 8, 1926. At the end of its operating year on August 31, 1957, it was serving 775 member associations with about 310,000 patrons, 95 percent of them farmers. It was also serving 153 nonmember associations with about 16,000 patrons, 90 percent of them farmers. Fourteen of the local co-ops served were under management or supervision agreements with Midland.

The association operates throughout Minnesota except for the Northeastern quarter of the State, throughout Wisconsin except for the extreme north, in northern Iowa, and in the extreme eastern parts of the Dakotas.

Membership in Midland Cooperatives, Inc., is limited to cooperative associations and is obtained by acquiring one \$100 share of common stock and agreeing to the provisions of the bylaws. Each member association has one vote plus one vote for each \$100,000 of purchases in excess of its first \$5,000 of purchases from Midland each year.

Midland Cooperatives, Inc., distributed supplies at wholesale during the fiscal years ending August 31, 1956 and 1957, as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed, flour, and middlings	\$2,949,069	\$3,340,014
Fertilizer	3,381,883	4,157,743
Seed.....	693,019	1,069,533
Petroleum products	27,348,345	29,625,240
Tires, tubes, and accessories.....	1,923,192	2,204,743
Farm machinery	-3,138	10
Steel products.....	655,664	634,439
Paint and related products	127,575	132,598
Insecticides.....	282,317	438,024
Electrical equipment.....	780,103	809,873
Hardware and farm tools	564,922	692,757
Oil station equipment	188,036	195,978
Miscellaneous.....	15,337	19,261
Total.....	38,906,324	43,320,213

Net margins available to patrons and their distribution for the fiscal years ended in 1956 and 1957 were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash dividends on capital stock.....	\$107,428	\$125,444
Patronage refunds paid in capital stock	1,096,632	1,639,214
Amount retained in unallocated surplus	103,979	266,703
Total.....	1,308,039	2,031,361

In 1956, the association retired \$150,600 of capital stock, originally issued in payment of patronage refunds, under its revolving capital plan of financing. In 1957, it retired \$215,700. The association has now retired all such stock through 1944 under its revolving program.

The financial condition of Midland Cooperatives, Inc., as of August 31, 1956 and 1957, is shown in the following statement:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$9,291,288	\$10,803,799
Fixed assets (net).....	6,266,460	6,824,941
Other assets.....	7,050,090	7,644,666
Total.....	22,607,838	25,273,406

	1956	1957
Liabilities and net worth:		
Current liabilities	\$4,887,782	\$5,544,415
Other liabilities	5,704,739	5,821,799
Net worth (capital and reserves)	12,015,317	13,907,192
Total.....	22,607,838	25,273,406

On August 31, 1957, Midland Cooperatives, Inc., owned and operated the following principal facilities:

<u>Facilities</u>	<u>Cost value</u>	<u>Depreciated value</u>
Crude oil property.....	\$3,033,691	\$380,391
Refinery (complete)	7,632,549	4,648,646
Oil blending plant and bulk petroleum plants and warehouses..	1,632,632	1,328,270
Other properties	776,861	467,634
Total.....	13,075,733	6,824,941

Investments in other production and operating facilities owned jointly with other regional cooperatives or allied companies were:

<u>Facilities</u>	<u>Amount invested</u>
Fertilizer, feed, soybean, and seed processing	\$2,480,206
Refineries and pipelines	4,117,853
Petroleum products terminal.....	90,000
Properties of National Cooperatives, Inc. (including milking machine factory).....	338,264
Other investments	403,873
Total.....	7,430,196

On August 31, 1957, Midland Cooperatives, Inc., had 514 employees. Of these, 102 were engaged in general and administrative activities, 203 in manufacturing and processing operations, and 209 in wholesale distribution including warehousing and transportation.

The Farm Bureau Cooperative Association, Inc.

The Farm Bureau Cooperative Association, Inc., with headquarters at Columbus, Ohio, was organized in its present form on July 31, 1933. At the end of its operating year, December 31, 1957, it was serving 86 member associations with approximately 245 distributing points in Ohio. These cooperative outlets served about 223,000 patrons. Volume of business done with farmers represented about 89 percent of the total business done by these associations. Twenty-nine of the county cooperative associations were under management agreements with the State association, and of this number 16 had financing agreements.

Membership in The Farm Bureau Cooperative Association, Inc., is obtained by purchasing one \$25 share of common stock and agreeing to the provisions of the bylaws. Each share of common stock has one vote. Preferred stock is used for financing purposes and carries no vote. Common stock of The Farm Bureau Cooperative Association is held by the county cooperatives and the Ohio Farm Bureau Federation. The same board of 26 directors govern both the Ohio Farm Bureau Federation and The Farm Bureau Cooperative Association and they are elected by districts for staggered terms of 3 years. In the county cooperatives, any farmer is eligible for membership.

This regional cooperative distributed supplies at wholesale during the fiscal years ended December 31, 1956 and 1957 as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$10,879,930	\$11,358,860
Fertilizer	6,991,289	6,622,781
Seed and seed potatoes	1,979,318	2,010,863
Petroleum products	14,774,289	15,238,900
Tires, tubes, and other accessories.....	379,306	384,937
Farm machinery and parts.....	1,504,274	991,925
Stock equipment and hardware	806,712	1,059,130
Fence, roofing, and paint	2,318,254	2,382,528
Insecticides and fungicides.....	573,209	670,246
Electrical equipment and appliances	931,504	649,530
Miscellaneous ¹	605,419	784,055
Total.....	²41,743,504	³42,153,755

¹ Includes such items as anti-freeze, animal health supplies, and equipment for handling petroleum.

² Includes \$97,358 of interdivision transactions.

³ Includes \$281,127 of interdivision transactions.

The value of grain marketed through the Farm Bureau Cooperative Association, Inc., was \$25,986,800 in 1956 and \$20,121,435 in 1957.

Net margins available to patrons and shareholders and their distribution for 1956 and 1957 were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash dividends on capital stock.....	\$255,584	\$291,536
Patronage refunds:		
Cash	268,547	215,451
Securities	805,641	646,352
Amount retained in capital reserves	159,678	141,089
Total.....	1,489,450	1,294,428

Of these total net margins, the association derived approximately 85 percent in 1956 and 86 percent in 1957 from supply purchasing operations. The remaining proportions came from marketing operations.

During 1956, the association retired \$543,000 of capital stock or other securities, originally issued in payment of patronage refunds under a revolving capital plan. In 1957, it retired \$408,750. The association has now retired all such stock issued through 1947 and one-half of the stock issued in 1948.

Total net margins available for patrons and shareholders since organization in 1933 have been \$18,432,276. Of this amount, the association paid \$3,289,716 as cash dividends on capital stock, \$1,564,723 as cash patronage refunds, \$12,715,314 as patronage refunds in securities and the remaining \$862,523 was retained for capital as reserves. The total amount of capital stock or other securities (representing patronage refunds) retired under the revolving capital plan has been \$6,480,940.

The financial condition of The Farm Bureau Cooperative Association, Inc., as of December 31, 1956 and 1957, is shown in the following statement:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$15,101,008	\$13,470,217
Fixed assets (net).....	6,356,943	7,082,777
Other assets.....	8,523,857	9,524,239
Total.....	29,981,808	30,077,233

	1956	1957
Liabilities and net worth:		
Current liabilities	\$4,985,554	\$3,621,325
Other liabilities	9,821,650	10,145,490
Net worth (capital and reserves)	<u>15,174,604</u>	<u>16,310,418</u>
Total.....	29,981,808	30,077,233

Forty-six percent of the net worth has been accumulated through the sale of stock and 54 percent from net savings.

The Farm Bureau Cooperative Association owns a subsidiary--Louisville Refining Company, Louisville, Ky.--which refines petroleum products. This subsidiary in turn owns a subsidiary--Producers Pipe Line Company--which produces and transports crude oil. Only the investments The Farm Bureau Cooperative Association has in capital stock in these subsidiaries are included in "other assets" in its balance sheet.

Principal facilities owned and operated by The Farm Bureau Cooperative Association, Inc., and its subsidiaries at the end of 1957 were:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depreciated value</u>
Terminal grain elevators.....	2	\$4,035,228	\$3,228,599
Feed mills	3	927,982	336,345
Fertilizer plants	6	2,422,134	1,275,795
Insecticide plant.....	1	17,705	10,778
Seed plant	1	85,451	21,203
Wholesale farm supply warehouse	1	288,555	169,069
Transport trucks (dry and liquid)	26	515,923	173,176
Other facilities	-	<u>2,508,250</u>	<u>1,867,812</u>
Sub-total.....	-	10,801,228	7,082,777

Properties represented by capital stock investments in its subsidiaries--Louisville Refining Company and Producers Pipe Line Company--are included in "other assets." They consisted of the following:

Petroleum refinery (complete).....	1	\$5,693,081	\$3,543,340
Boats and barges.....	5	382,627	201,113
Crude oil pipelines (miles) ¹	304	1,334,499	598,407
Crude oil properties	-	<u>1,015,079</u>	<u>594,029</u>
Sub-total.....	-	<u>8,425,286</u>	<u>4,936,889</u>
Total facilities.....	-	19,226,514	12,019,666

¹ Size of pipe: 8-inch - .43 miles; 6-inch - 2.55 miles; 4-inch - 63.79 miles; 3-inch - 41.38 miles; 2-inch - 195.75 miles.

The Farm Bureau Cooperative Association also had investments of \$1,110,570 in federations of regional cooperatives which owned manufacturing and wholesaling facilities.

On December 31, 1957, The Farm Bureau Cooperative Association, Inc., and its subsidiaries had 815 employees. Of these, 251 were engaged in general and administrative activities, 308 in manufacturing and processing operations, 162 in wholesale distribution including warehousing and transportation, 53 in retail distribution, and 41 in marketing farm products.

Farmers Cooperative Exchange, Inc.

The Farmers Cooperative Exchange, Inc., commonly known as FCX, with headquarters at Raleigh, N. C., was organized on March 12, 1939.¹ It serves approximately 182,000 member-patrons in North and South Carolina, with approximately 98 percent of them farmers.

Supplies are distributed through 73 FCX centrally managed subsidiary retail service stores, 5 independent cooperative associations, and 200 private dealer-agencies.

FCX is a centralized cooperative with farmers holding direct membership in it. Any farmer may become a member by acquiring one \$1 share of common stock and agreeing to comply with the bylaws. Each member has only one vote.

FCX has 15 directors elected for staggered terms of 3 years at the annual meeting. Eleven directors are nominated on a district basis by owners of FCX common stock. One director is nominated by the board of directors of the North Carolina Cotton Producers Association, one by the executive committee of the North Carolina Grange, and one by the executive committee of the North Carolina Farm Bureau Federation. One is a public director selected jointly by the North Carolina Commissioner of Agriculture, Director of North Carolina Extension Service, and President of Greater North Carolina University.

FCX distributed supplies at wholesale for the fiscal years ending June 30, 1956 and 1957 as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feeds and grains.....	\$9,999,282	\$9,993,016
Fertilizer.....	4,978,022	5,049,397
Seed.....	1,432,368	1,870,848
Steel, asphalt, and building materials.....	659,647	780,320
Paint.....	66,447	119,590
Farm machinery.....	301,328	442,872
Electrical appliances.....	890,947	728,669
Oil, tires, and tubes.....	190,565	225,272
Sprays and dusts.....	832,170	1,191,574
Miscellaneous farm supplies ²	<u>1,403,670</u>	<u>1,931,542</u>
Total.....	20,754,446	22,333,100

²Includes such items as farm tools, poultry and dairy equipment, medicines, and salt.

Value of supplies distributed at retail by FCX-managed outlets was \$15,754,163 in fiscal year 1956 and \$17,959,780 in 1957.

Value of farm products marketed by FCX for fiscal years 1956 and 1957 was:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Grains.....	\$2,153,989	\$3,080,263
Eggs and poultry.....	814,711	807,386
Livestock.....	444,764	668,124
Miscellaneous.....	<u>120,658</u>	<u>110,979</u>
Total.....	<u>3,534,122</u>	<u>4,666,752</u>

¹The operations of FCX are closely related to the North Carolina Cotton Growers Cooperative Association. The same general manager serves both organizations. The cotton handled by the North Carolina Cotton Growers was valued at \$11,144,690 for the 1956 season. The association's net worth on June 30, 1956 was \$1,054,058 and on June 30, 1957, it was \$1,077,074.

Total net margins of FCX's wholesale, retail, and marketing system available to patrons and their distribution for fiscal years ended in 1956 and 1957 were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash dividends on capital stock.....	\$307,868	\$300,368
Patronage refunds paid in capital stock and debentures	445,520	292,539
Amount retained in capital reserves	36,638	64,725
Total.....	790,026	657,632

Total net margins available for distribution to patrons of the combined FCX system since 1934 have been \$9,192,028. Of this amount, FCX paid \$2,488,597 as cash dividends on capital stock, declared \$4,965,781 as patronage refunds paid them in capital stock and debentures, and retained the remaining \$1,737,650 for capital as general reserves.

The financial condition of FCX and its retail subsidiaries as of June 30, 1956 and 1957, is shown in the following statement:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$7,035,734	\$7,775,589
Fixed assets (net).....	4,148,299	4,760,465
Other assets.....	1,173,148	940,277
Total.....	12,357,181	13,476,331
Liabilities and net worth:		
Current liabilities	2,255,638	2,197,870
Other liabilities	350,588	331,327
Net worth (capital and reserves).....	9,750,955	10,947,134
Total.....	12,357,181	13,476,331

The number and value of facilities owned and operated by FCX and its affiliated service stores and marketing units on June 30, 1957, were:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depreciated value</u>
<u>Regional--Wholesale:</u>			
Farm supply warehouses	5	\$885,885	\$717,248
Equipment in warehouses and plants ¹	-	150,713	89,003
Fertilizer mixing plants	2	857,046	589,435
Seed-cleaning plants	4	216,394	101,206
Feed mill.....	1	434,105	314,814
Grain elevator	1	65,378	49,764
Office building	1	488,873	401,964
Sub-total.....	-	3,098,394	2,263,434
<u>Local--Retail:</u>			
Farm supply stores ²	31	1,576,550	1,374,052
Seed cleaning plants.....	14	62,158	38,437
Equipment in warehouses and plants ¹	-	1,025,248	744,734
General delivery trucks.....	215	515,942	188,058
Other facilities	-	157,599	151,670
Sub-total.....	-	3,337,497	2,496,951
Total.....	-	6,435,891	4,760,385

¹ Exclusive of seed cleaners and trucks.

² Represents stores operating in buildings owned by FCX.

FCX and Southern States Cooperative, Inc., also jointly manufacture feed in Norfolk and Roanoke, Va., and fertilizer in Norfolk. The FCX investment in these facilities and in federations of regional cooperatives which operated manufacturing and wholesale facilities amounted to \$125,800.

On June 30, 1957, the FCX system had 631 employees. Of these, 124 were engaged primarily in general and administrative activities, 98 in manufacturing and processing operations, 80 in wholesale distribution including warehousing and transportation, 309 in retail distribution, and 20 in marketing.

Washington Co-operative Farmers Association

The Washington Co-operative Farmers Association, with headquarters in Seattle, was organized in February 1917, as the Washington Cooperative Egg and Poultry Association. Its name was changed in February 1945 when it broadened its membership requirements and scope of services. The association is a centralized cooperative with farmers directly holding membership in it. During 1957, it served 43,867 member farmers located throughout Washington.

Anyone engaged in producing farm products in commercial quantities may become a member by paying a \$2.50 membership fee and 50 cents the first year for a subscription to Washcoegg--the membership publication of the association. Those wishing to market products through the association must sign marketing agreements covering the specified commodities marketed. Each member has only one vote. The association has 16 directors by districts for staggered terms of 3 years.

Patrons are served through 49 branch stations and distributors located throughout Washington in addition to the facilities at headquarters in Seattle. Poultry and poultry products, feed, and general farm supplies are handled by all stations. Only 5 have petroleum bulk plants, but in the areas of the other branch stations, oil products are delivered to farmers by the association's tank trucks direct from bulk plants of its suppliers.

Washington Co-operative Farmers Association is an integrated organization which processes a large number of the products it markets and the supplies it distributes to members.

The value of supplies and equipment distributed to patrons during the association's fiscal years ended December 31, 1956 and 1957, was:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$21,597,845	\$20,153,873
Seed.....	533,474	493,046
Fertilizer	1,592,013	1,838,471
Petroleum.....	8,999,549	9,531,905
Other farm supplies and equipment ¹	1,936,587	2,085,471
Total.....	34,659,468	34,102,766

¹ Of the "other farm supplies and equipment," poultry and general equipment represented about 40 percent, building materials about 30 percent, and miscellaneous items the remaining 30 percent.

The volume of feed in 1956 was 272,079 tons of which 73,738 tons were delivered in bulk by 17 trucks. Volume in 1957 was 252,742 tons, with 88,097 tons of this delivered in bulk by 19 trucks.

The association was originally formed as an egg and poultry marketing association, and this still is one of its major functions. The value of products it marketed for patrons in 1956 and 1957 was as follows:

<u>Products</u>	<u>1956</u>	<u>1957</u>
Egg and egg products	\$9,556,398	\$9,039,453
Dressed poultry	3,621,836	3,969,636
Dressed turkeys.....	1,890,330	1,674,741
Canned poultry and turkey.....	2,693,221	2,663,152
Seed.....	250,044	375,861
Total.....	18,011,829	17,722,843

Net margins available to patrons and their distribution for fiscal years ending in 1956 and 1957 were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Interest on 'finance fund' certificates.....	\$469,982	\$490,559
Extra payments on marketing and patronage refunds on purchasing issued as 'finance fund' certificates.....	2,190,919	2,078,832
Amounts placed in rotating reserve fund.....	199,946	247,057
Total.....	2,860,847	2,816,448

This cooperative declares separate rates of extra payments on a patronage basis in its egg, poultry, cannery, turkey, and seed marketing departments and a separate patronage refund rate in its feed, seed, fertilizer, and farm supply departments.

On January 2, 1957, it retired its 1951 certificates in the amount of \$1,793,494. On January 1, 1958, the association retired its 1952 certificates in the amount of \$1,751,525. It also retired prior years' rotating reserves totaling \$185,535 in 1956 and \$169,974 in 1957. The association has usually revolved both the finance fund certificates and the rotating reserves on a 6-year basis.

The financial condition of the Washington Co-operative Farmers Association on December 31, 1956 and 1957, is shown in the following condensed balance sheet:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$10,646,110	\$11,363,703
Fixed assets (net).....	7,274,066	7,261,619
Other assets.....	645,412	727,434
Total.....	18,565,588	19,352,756
Liabilities and net worth:		
Current liabilities	1,500,598	1,846,754
Net worth (finance fund, reserve funds, and undistributed operating margins)	17,064,990	17,506,002
Total.....	18,565,588	19,352,756

On December 31, 1957, approximately 29 percent of the association's net worth was represented by retained net operating margins or savings and the remainder by regular capital subscriptions on farm products marketed.

At the close of 1957, principal facilities owned by the association were:

<u>Facilities</u>	<u>Cost value</u>	<u>Depreciated value</u>
Buildings and improvements to leased properties.....	\$6,888,435	\$4,816,810
Land	362,593	362,593
Machinery, equipment, and furniture.....	3,663,060	1,614,431
Trucks and automobiles.....	1,702,609	467,785
Total.....	12,616,697	7,261,619

The association also had \$165,285 invested in federations of regional cooperatives which operated various manufacturing and wholesaling facilities.

On December 31, 1957, the association had 1,159 employees engaged in its general administrative activities, in manufacturing and processing, in wholesale distribution, in marketing farm products, and in purchasing farm supplies for producer members.

M.F.A. Milling Company

The M.F.A. Milling Company, with headquarters in Springfield, Mo., was organized in 1923 and reorganized on its present basis in 1929. At the end of its operating year on June 30, 1957, it was serving 120 local M.F.A. farmer cooperative exchanges with approximately 85,000 farmer-members. In addition, through arrangements with regional supply cooperatives in Arkansas and Mississippi, and through direct arrangements with locals in Oklahoma, Kansas, Texas, and Louisiana, 30,000 farmers obtained feed from M.F.A. Milling Company at 204 local outlets in these six States.

The M.F.A. Milling Company, the largest regional purchasing association affiliated with the Missouri Farmers Association, is owned by local M.F.A. cooperatives in southern Missouri. The local cooperatives, in turn, are owned by the M.F.A. members they serve. The M.F.A. Milling Company is organized on a nonstock, nonprofit plan, and is financed by patrons' equities.

The local M.F.A. exchanges served by the M.F.A. Milling Co. constitute its Class B membership. They elect one half its board of directors by districts for one-year terms. The other half of the board is named by the State board of directors of the Missouri Farmers Association, which constitutes the Class A membership of the milling company. These directors are appointed for a term of one year. None of the local co-ops is under management or supervision agreements with the M.F.A. Milling Company.

The M.F.A. Milling Company distributed supplies at wholesale during the fiscal years ended June 30, 1956 and 1957 as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$29,616,143	\$30,464,497
Seed.....	<u>1,189,248</u>	<u>1,125,640</u>
Total.....	30,805,391	31,590,137

Net margins available to patrons and their distribution for the 1956 and 1957 fiscal years were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash patronage refunds to current year's patrons	\$400,119	\$1,375,372
Addition to membership equity reserves in revolving capital fund	<u>652,640</u>	<u>--</u>
Total.....	1,052,759	1,375,372

For several years the M.F.A. Milling Company, under its revolving capital plan, has paid out its entire savings for the year. The year ended June 30, 1957, was no exception, and the total savings of \$1,375,372 were paid out. All was applied on current year's equities. For the year ended June 30, 1956, the company paid out \$1,052,759, of which \$400,119 was applied on the current year's equities and \$652,640 was used to retire 1952 equities.

Total net margins since June 30, 1935 have been \$17,204,695. Of this amount, M.F.A. Milling Company paid \$13,554,445 as cash patronage refunds and retained the remaining

\$3,650,250 as membership equity reserves for capital purposes. During this period it produced 95,318,096 bags of feed with a sales value of \$367,147,329.

The following condensed statement shows the financial condition of the M.F.A. Milling Company on June 30, 1956 and 1957:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$4,025,868	\$3,084,004
Fixed assets (net).....	2,888,540	2,837,813
Other assets.....	<u>223,134</u>	<u>246,304</u>
Total.....	7,137,542	6,168,121
Liabilities and net worth:		
Current liabilities	2,386,039	1,084,860
Other liabilities	35,720	31,110
Net worth.....	<u>4,715,783</u>	<u>5,052,151</u>
Total.....	7,137,542	6,168,121

On June 30, 1957, operating facilities of the M.F.A. Milling Company consisted of the following:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depreciated value</u>
Mill buildings, machinery and equipment	2	¹ \$4,357,430	\$2,837,813

¹ Amount as of June 30, 1956.

The M.F.A. Milling Company, on June 30, 1957, had 390 employees--239 in Springfield and 151 in Aurora. Of these, 22 were engaged in general and administrative activities, 353 in manufacturing and processing operations, and 15 in wholesale distribution and field service work.

Poultry Producers of Central California

The Poultry Producers of Central California, a centralized farmer cooperative with headquarters in San Leandro, Calif., was incorporated in October 1916 and began operating in January of the following year. Originally, its sole purpose was marketing eggs, but in 1926 its activities were expanded to include the manufacture and distribution of feeds for poultry, dairy, and other types of livestock, and the marketing of poultry.

This association operated in a rather restricted region. It had 10,374 members on December 31, 1957, who were served through 46 branches and 4 agency cooperatives throughout the central coast and central valley counties of California north of Monterey and Merced Counties. All branches serve as receiving stations for members' eggs and distribution centers for the association's feeds. Poultry Producers owns and operates 3 egg packing plants and 5 feed mills. Consolidation of egg plants accounted for a smaller number than in previous years.

According to the bylaws, membership in this association is open to any agricultural producer or cooperative poultry marketing association. A membership fee of \$10 must be paid and producers must sign an egg marketing agreement as a condition of membership. By resolution of the board of directors, applicants should be potential patrons of any or all departments of the association to the extent of \$500 a year. Continuation of active membership requires minimum patronage of \$100 annually in any or all departments. The initial membership fee of \$10 is refunded if a member withdraws from the association. Farmers may join at any time, but withdrawal is confined to an annual period specified in the membership agreement.

Each member has one vote by reason of membership, plus one vote for each \$250 worth of eggs marketed, for each \$250 worth of poultry (including turkeys) marketed, and for each \$500 worth of feed and supplies purchased annually. The association has 11 directors. Ten are elected from 6 districts in the State for staggered terms of 2 years. One director-at-large is elected annually for a term of 1 year. A nominee may be proposed by the Vice President of Agricultural Sciences, University of California or by the State Director of Agriculture in California. If approved by at least 8 members of the association's board of directors his name shall be submitted for the office at the annual meeting.

Under the egg marketing agreement, the member agrees to market through the association all the eggs he produces other than those sold to hatcheries or retained for home or farm use. This agreement further provides that eggs be pooled according to grade, and members shall receive weekly advance payments based upon volume, quality, and grade of eggs delivered to the association during the preceding week. These payments are followed by an annual deferred or final settlement representing the difference between costs of marketing and handling and returns from the final sale of eggs.

Patronage of the feed and poultry departments has always been on a voluntary basis. Since early 1957 the association has provided for "nonmember patronage agreements" whereby a producer can receive patronage refunds on his purchase of feeds and supplies, even though he does not have voting privileges. Such agreement, however, may be terminated by the board of directors on 15 days notice.

Volume of feed and supplies distributed to patrons by the association during the fiscal years ending December 31, 1956 and 1957, was:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$22,907,866	\$21,047,832
Petroleum products	2,120,536	2,213,814
Farm supplies and equipment	978,533	1,125,397
Total.....	26,006,935	24,387,043

In 1956, the association sold 286,067 tons of feed--82,081 tons of this delivered in bulk by 24 trucks. In 1957, it sold 268,979 tons--125,847 tons of this delivered in bulk by 34 trucks.

In addition to feeds and feedstuffs, members may purchase a wide range of farm supplies through the association. Principal supply items include aluminum roofing and siding, fencing materials, poultry house equipment, farm refrigeration equipment, tires and batteries, drugs, and insecticides. Petroleum products of a major oil company are distributed on a cooperative basis to members of the association by special agreement.

The association's poultry marketing activities have been quite restricted. Its volume of eggs marketed the last two years has been as follows:

<u>Eggs</u>	<u>1956</u>	<u>1957</u>
Dollar volume.....	\$27,076,191	\$25,014,222
Number of cases	1,907,772	1,868,319

All deferred payments to egg shippers and net margins of the feed and supply department of the association were allocated to patrons in proportion to their patronage. The amounts and their distribution for 1956 and 1957 were:

Distribution of deferred payments and net margins		1956	1957
Egg deferred payments.....		\$274,848	None ¹
Feed capital fund credits		2,323,519	\$1,780,573
Feed revolving fund credits.....		320,021	205,104
Total.....		2,918,388	1,985,677

¹ Due to a reduction of 1 cent a dozen on eggs made in the operating budget.

Before 1924, Poultry Producers of Central California was financed by issuance of stock to the members. Since 1924, revolving funds have constituted its basis for capitalization. Separate capital revolving funds are maintained for the egg, feed, and poultry departments.

The feed capital fund provides for the normal capital requirements of the feed department. Members' credits in the feed and egg capital funds are represented by interest-bearing certificates. The feed revolving fund is noninterest-bearing and noncertificated; it has been set aside annually since 1941 as a special revolving reserve primarily to cushion sudden declines in feed inventory values. The egg capital fund has generally been revolved on a 2 1/2-year basis, the feed capital fund on a 2 1/2-year basis, the feed revolving fund on a 3-year basis.

The general capital fund, created and maintained from the sale of general capital fund certificates to members, was established in 1953 and has not yet been revolved. The length of its revolving cycle is therefore indeterminate; it is anticipated, however, that this cycle will exceed that of the egg and feed capital funds.

During 1956, the association retired, in cash, revolving fund credits totaling \$399,972. In 1957, it retired \$449,763.

During the past 12 years, 1946 through 1957, the association handled a total business volume of \$609 million. Net savings totaled \$34,314,000 of which \$28,907,000 was feed and supply net margins and \$5,407,000 was egg deferred payments.

The financial condition of Poultry Producers of Central California as of December 31, 1956 and 1957 is indicated in the following condensed balance sheet:

	1956	1957
Assets:		
Current assets.....	\$10,765,689	\$9,765,958
Fixed assets (net).....	4,143,818	6,123,198
Other assets.....	128,561	307,697
Total.....	15,038,068	16,196,853
Liabilities and net worth:		
Current liabilities	3,433,534	3,838,020
Deferred liabilities.....	145,297	745,272
Net worth.....	11,459,237	11,613,561
Total.....	15,038,068	16,196,853

At the close of 1957, the principal facilities owned by the association were:

<u>Facilities</u>	<u>Cost value</u>	<u>Depreciated value</u>
Land	\$ 576,020	\$ 576,020
Buildings, improvements, leasehold improvements.....	2,832,492	1,683,672
Autos and trucks	1,385,036	540,395
Egg department.....	526,664	219,952
Feed department equipment.....	2,300,996	899,339
Facilities under construction.....	2,145,997	2,145,997
Other	347,664	57,823
Total.....	10,114,869	6,123,198

The association also had \$21,500 invested in federations of regional cooperatives which owned manufacturing and wholesaling facilities.

During 1957, the association employed an average of 1,055 men and women. Of these employees, 92 were engaged in administrative and general activities, approximately 245 devoted a major portion of their time to operations of the feed and supply department, approximately 397 worked in the egg and poultry departments, and 321 were jointly employed by the feed and supply and the egg departments as warehousemen, truck drivers, clerks, accountants, and related occupations.

Pennsylvania Farm Bureau Cooperative Association

The Pennsylvania Farm Bureau Cooperative Association, with headquarters at Harrisburg, was organized in 1934. At the close of 1957, it was serving 34 member associations operating on a countywide basis with 72,000 patrons, 95 percent of them farmers. Nine of the county associations were under management of the State association. Supplies were distributed by 23 private dealer agents who operated directly through the Farm Bureau Cooperative Distribution Association, Harrisburg, Pa. During 1957, it had 5,000 patrons, approximately 95 percent of them farmers. The total service area of the State association comprises 53 counties in Pennsylvania.

Membership in the association is limited to local agricultural cooperatives and is obtained by acquiring a \$25 share of common stock and agreeing to comply with the bylaws. Each association has only one vote. The association has 34 directors, one from each of its member associations, elected for staggered terms of 3 years.

This regional cooperative distributed supplies at wholesale for the fiscal years ending December 31, 1956 and 1957, as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$ 8,419,682	\$ 7,923,087
Fertilizer	2,720,642	2,978,932
Seed.....	1,162,419	1,303,932
Petroleum products	6,938,195	7,162,410
Tires, tubes, and other accessories.....	480,415	529,722
Farm machinery and parts.....	291,050	296,431
Farm equipment.....	852,637	828,930
Steel products.....	795,453	634,158
Lumber, paint, and other maintenance equipment	180,384	219,966
Insecticides.....	486,005	523,319
Electrical equipment and appliances	161,343	159,212
Twine.....	208,673	214,884
Chicks.....	456,097	411,124
Total.....	23,152,995	23,186,107

The value of grain marketed by the association was \$785,078 in 1956 and \$833,587 in 1957.

Net margins available to patrons and their distribution in 1956 and 1957 were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash dividends on capital stock.....	\$90,959	\$89,041
Patronage refunds:		
Capital stock	229,721	-0-
Cash	96,200	137,889
Additions to capital reserves.....	36,925	25,584
Total.....	453,805	252,514

Almost all the net margins in both 1956 and 1957 were derived from farm supply operations with only a small percent from marketing operations.

On December 31, 1954, common stock was adjusted to the basis of use made of the association; that is, a member cooperative doing 10 percent of the association's business would hold 10 percent of its outstanding common stock. This plan replaced the revolving of entire amounts of capital stock issued in payment of patronage refunds for specified years under a revolving capital plan of financing.

Total net margins available for patrons since organization in 1934 have been \$7,341,254. Of this amount, \$1,560,084 were paid as cash dividends on capital stock; \$320,589 were paid currently as patronage refunds in cash; \$3,318,047 were paid as patronage refunds in capital stock; and the remaining \$2,142,534 were retained as capital reserves. The total amount of capital stock (representing patronage refunds) retired as of December 31, 1954 has been \$420,125. As mentioned, since then capital stock has been adjusted annually on the basis of each member's volume.

The financial condition of the Pennsylvania Farm Bureau Cooperative Association on December 31, 1956 and 1957 was:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$3,791,814	\$3,999,514
Fixed assets (net).....	1,359,639	1,453,362
Other assets.....	3,976,993	4,060,101
Total.....	9,128,446	9,512,977
Liabilities and net worth:		
Current liabilities	1,380,411	1,955,002
Other liabilities	1,055,877	997,392
Net worth (capital and reserves)	6,692,158	6,560,583
Total.....	9,128,446	9,512,977

On December 31, 1957, the principal operating facilities of the Pennsylvania Farm Bureau Cooperative Association consisted of the following:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Feed mill and seed cleaning plant.....	1	\$850,072	\$526,169
Wholesale farm supply warehouses.....	2	294,214	150,570
Office building	1	394,688	239,994
Transport trucks and trailers.....	34	198,500	143,495
Hatcheries	2	188,628	103,988
Poultry breeding farms	2	186,593	130,347
Automobiles	58	119,623	83,597
Miscellaneous.....	-	78,993	75,202
Total.....	-	2,311,311	1,453,362

The association also held investments of \$3,816,009 in federations of regional cooperatives and allied companies which owned various manufacturing and wholesaling facilities.

On December 31, 1957, the Pennsylvania Farm Bureau Cooperative Association had 306 employees. Of these, 187 were engaged in general and administrative activities, 64 in manufacturing and processing operations, and 55 in wholesale distribution, including warehousing and transportation.

Pacific Supply Cooperative

The Pacific Supply Cooperative, commonly known as P.S.C., with headquarters at Walla Walla, Wash., was organized December 19, 1933. At the close of its operating year, June 30, 1957, it was serving 117 member associations in Oregon, Washington, Idaho, and northwestern Wyoming. Patrons of these associations numbered 58,500 and 95 percent were farmers. It also served 125 nonmember associations. None of the local co-ops served was under management or supervision agreements with P.S.C.

Membership in Pacific Supply Cooperative is acquired by purchasing 10 shares of common stock at \$100 per share and agreeing to the provisions of the bylaws. Each member association has only one vote. P.S.C. has 7 directors elected by districts for staggered terms of 2 years.

P.S.C. distributed supplies at wholesale during the fiscal years ending June 30, 1956 and 1957, as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed and grain.....	\$499,183	\$600,269
Fertilizer	3,855,304	4,913,312
Seed.....	187,967	159,277
Gas, oil, grease, and fuel oil	12,123,141	12,504,445
Tires, tubes, and other accessories.....	805,321	784,230
Farm machinery and parts.....	489,567	503,482
Lumber, paint, steel products, and other maintenance equipment.....	722,113	934,734
Insecticides and chemicals.....	515,441	630,560
Electrical equipment and appliances	157,285	192,834
Hardware.....	450,278	482,713
Farm appliances and irrigation supplies.....	713,616	707,894
Miscellaneous supplies and service revenues	31,782	35,002
Total.....	20,550,998	22,448,752

Pacific Supply Cooperative also marketed farm products in 1956 and 1957 as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Seed.....	\$2,727,715	\$3,022,381
Grain	1,726,716	3,992,637
Total.....	4,454,431	7,015,018

Total net savings from all operations available to patrons and their distribution in fiscal 1956 and 1957 were:

<u>Distribution of net savings</u>	<u>1956</u>	<u>1957</u>
Patronage refunds:		
Cash	\$13,273	\$10,525
Capital reserve certificates	322,571	287,211
Common stock and credits	58,638	53,104
Amount retained in capital reserves	-0-	-0-
Total.....	394,482	350,840

Almost all the net savings were derived from farm supply operations both years.

In its 1955-56 fiscal year, the association retired \$124,281 of certificates originally issued as patronage refunds, but did not retire any certificates in 1956-57. The association now has retired all such certificates through the first quarter of 1946 under its revolving capital plan.

Total net savings available to patrons since organizing in 1933 have been \$7,557,276. Cash patronage refunds and revolving of capital reserve certificates have amounted to \$2,012,847, and the balance has been set aside in the following: Capital reserve certificates, \$3,836,429 which will be revolved; capital stock and stock credits, \$1,113,458; and general reserve, \$594,542.

The financial condition of the Pacific Supply Cooperative on June 30, 1956 and 1957, was:

	1956	1957
Assets:		
Current assets.....	\$4,643,409	\$5,439,657
Fixed assets (net).....	2,370,481	2,638,944
Other assets and investments	1,529,353	1,599,599
Total.....	8,543,243	9,678,200
Liabilities and net worth:		
Current liabilities	1,837,032	2,723,741
Other liabilities	61,119	52,583
Net worth or member and patron equities	6,645,092	6,901,876
Total.....	8,543,243	9,678,200

On June 30, 1957, Pacific Supply Cooperative owned and operated the following principal facilities:

Facilities	Number of plants or units	Cost value	Depre- ciated value
Wholesale farm supply warehouses.....	3	\$159,672	\$80,869
Seed and feed plants.....	5	984,095	470,096
Chemical and fertilizer plants	50	765,388	491,648
Transport trucks.....	17	419,220	94,606
Office.....	1	375,572	295,324
Leased oil facilities and owned equipment.....	-	1,536,704	1,105,570
Other facilities	-	143,137	100,831
Total.....	-	4,383,788	2,638,944

The association also held investments of \$115,123 in federations of regional cooperative associations which operated manufacturing and wholesaling facilities.

On June 30, 1957, Pacific Supply Cooperative had 255 employees. Of these, 65 were engaged in general administrative activities, 30 in manufacturing and processing operations, 89 in wholesale distribution, and 71 in marketing farm products.

Farm Bureau Services, Inc.

The Farm Bureau Services, Inc., with headquarters at Lansing, Mich., was organized on October 25, 1929, to provide a cooperative wholesale supply service for farmer cooperatives in Michigan. At the end of its fiscal year on August 31, 1957, this cooperative was serving some 100,000 patrons through its 149 member associations, 22 nonmember associations, 15 branch retail outlets, and 162 private dealer outlets. Farmers represented approximately 90 percent of the patrons of the retail outlets. Farm Bureau Services, Inc., managed 20 of the member associations under management contracts.

Farm Bureau Services, Inc., is both a federated and centralized cooperative, and it performs both wholesale and retail services. Local farmer cooperatives may become members by acquiring one share of Class A common stock, which has no par value, and agreeing to comply with the bylaws. Each share held carries one vote. The Michigan Farm Bureau Federation holds a majority of the outstanding shares.

Individual farmers who are served primarily by retail branches or dealer-agents of the State organization may become members of Farm Bureau Services, Inc. by acquiring one share of common stock at \$1 par value. This stock also has voting rights. There were approximately 14,565 of these members at the end of the 1957 fiscal year. The board of directors of Farm Bureau Services, Inc. is made up of 5 members of the Michigan Farm Bureau board, and 4 members elected from the State at large. Membership in the local cooperatives is not limited to Farm Bureau members.

The regional's wholesale division distributed supplies during the fiscal years ending August 31, 1956 and 1957¹, as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$3,678,539	\$3,740,608
Fertilizer	5,517,369	5,791,013
Seed.....	937,083	1,166,299
Steel products.....	1,489,194	1,075,047
Lumber, paint, and other maintenance equipment	130,243	764,063
Insecticides.....	166,848	266,480
Coal.....	131,547	152,496
Dairy and appliances.....	472,495	330,868
Total.....	12,523,318	13,286,874

This wholesale volume included the supplies transferred to its own retail branch outlets amounting to \$3,892,987 in 1956 and \$4,520,681 in 1957.

In addition to the central office wholesale supply operations, the retail value of supplies distributed through branch outlets owned by the association amounted to \$6,880,745 in 1956 and \$8,071,258 in 1957.

While Farm Bureau Services, Inc., is primarily a farm supply purchasing cooperative, it marketed farm products during the fiscal years ended August 31, 1956 and 1957 as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Grain	\$2,352,317	\$2,003,781
Beans.....	579,669	729,500
Eggs and poultry	56,798	50,243
Total.....	2,988,784	2,783,524

Total net margins, after Federal income taxes, available to patrons from all operations and their distribution for 1956 and 1957 fiscal years were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash dividends on capital stock.....	\$25,523	\$22,432
Patronage refunds payable in capital stock.....	253,361	209,397
Retained in capital reserves.....	40,728	225,192
Total.....	319,612	457,021

¹ Beginning January 1, 1949, the distribution of petroleum products was handled through a separate corporation, the Farmers Petroleum Cooperative, Inc. Its volume of business for the year ended August 31, 1956, was \$5,689,935. Net savings totaled \$231,261. This compared with a volume of \$6,499,884 and net savings of \$298,174 for the year ended August 31, 1957.

In 1956, the association retired stock or certificates amounting to \$161,295, originally issued in payment of patronage refunds. In 1957, it retired \$142,590. The association has now retired all such stock or certificates through 1944 under its revolving capital plan.

Total net margins, after Federal income taxes, since organizing in 1929 have been \$4,544,359. Of this amount, the association paid \$538,083 as cash dividends on capital stock, \$43,497 as cash patronage refunds, \$3,622,267 declared as patronage refunds and paid in capital stock and debentures, and retained the remaining \$340,512 in general reserves. The association has retired a total of \$645,429 of capital stock and debentures under its revolving capital plan of financing since organization.

The financial condition of Farm Bureau Services, Inc., as of August 31, 1956 and 1957, is shown by the following condensed statement:

	1956	1957
Assets:		
Current assets.....	\$3,657,968	\$3,724,536
Fixed assets (Net)	3,724,778	3,668,270
Other assets.....	1,054,915	1,080,605
Total.....	8,437,661	8,473,411
Liabilities and net worth:		
Current liabilities	\$1,354,823	\$1,238,592
Other liabilities ¹	4,426,160	4,362,600
Net worth or member and patron equities	2,656,678	2,872,219
Total.....	8,437,661	8,473,411

	1956	1957
¹ Includes liability on debentures as follows:		
4 percent--10-year debentures.....	\$584,980	\$581,680
3 percent--15-year debentures.....	590,880	587,890
5 percent--15-year debentures.....	2,330,300	2,338,030
Total.....	3,506,160	3,507,600

Value of the principal operating facilities owned on August 31, 1957, was:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Wholesale farm supply warehouse ²	6	\$547,022	\$386,405
Seed cleaning plant and warehouse.....	1	340,470	292,153
Retail farm supply branches ²	15	1,022,709	706,021
General delivery truck	39	87,711	25,572
Portable feed mixing units	5	84,956	32,044
Office equipment	-	176,206	94,536
Transportation department trucks, trailers, and tractor-trailer units	16	191,545	94,481
Bulk petroleum plants	2	24,307	6,513
Fertilizer manufacturing plants	2	3,055,289	1,998,893
Retail gasoline station and garage (leased).....	1	47,249	31,652
Total.....	-	5,577,464	3,668,270

²Six of these units are combination wholesale and retail units. Cost and depreciated value have been divided according to use. Although the association was operating six warehouses, the building cost for only five is shown. The State Highway Department condemned the Grand Rapids warehouse for which payment has been received. In April the association plans to complete a new warehouse in Jenison, Mich.

Farm Bureau Services also had \$435,092 invested in federations of regional cooperatives which operated various manufacturing and wholesaling facilities.

At the end of its fiscal year on August 31, 1957, Farm Bureau Services, Inc., had 430 employees. Of these, 59 were engaged in general administrative activities, 128 in manufacturing and processing operations, 81 in wholesale distribution, 108 in retailing and marketing, and 54 in handling contractual services for the affiliated Michigan Farm Bureau.

Central Cooperatives, Inc.¹

Central Cooperatives, Inc. often referred to as CCI, with headquarters at Superior, Wis., was organized on September 16, 1917. At the close of its operating year on November 30, 1957, it was serving 231 member and 40 nonmember cooperatives in the northern parts of Michigan, Wisconsin, Minnesota, and some parts of North and South Dakota. These cooperative outlets served approximately 100,000 patrons, 75 percent of them farmers. None of these local cooperatives was operating under management or supervision agreements with CCI.

Membership in CCI is obtained by acquiring one \$100 share of common stock and agreeing to comply with its bylaws. Each member cooperative has one vote for every 50 members in such local cooperative provided it owns one share of CCI's common stock for each 50 members. CCI has 11 directors elected on a district basis for staggered terms of 3 years.

This association distributed supplies at wholesale during fiscal years ended November 30, 1956 and 1957, as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$2,343,392	\$2,169,020
Fertilizer	300,000	372,717
Seeds	137,000	150,126
Petroleum products	2,125,097	2,139,414
Tires, tubes, and other accessories.....	367,859	405,802
Steel products.....	142,661	146,891
Lumber, paints, and other maintenance equipment.....	409,546	402,042
Insecticides.....	30,246	26,320
Electrical equipment and appliances	574,424	701,417
Hardware.....	465,037	396,269
Twine.....	55,660	69,339
Coal.....	89,216	90,048
Groceries	4,592,388	5,057,205
Fresh fruits and vegetables.....	547,912	589,389
Bakery products.....	376,415	387,254
Coffee	508,563	501,822
Clothing.....	823,774	799,235
Total.....	13,889,190	14,404,310

Net margins available to patrons and their distribution in fiscal years 1956 and 1957 were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash dividends on capital stock.....	\$27,776	\$26,688
Patronage refunds in capital stock.....	327,358	338,797
Amount to unallocated surplus	19,804	6,391
Total.....	374,938	371,876

¹Members voted on March 26-27, 1957 to change name from Central Cooperative Wholesale to Central Cooperatives, Inc.

Stocks or certificates amounting to \$114,900, originally issued in payment of patronage refunds, were retired during 1956 and \$44,800 in 1957. The association has now retired all such stock of certificates through 1942 under its revolving capital plan.

Total net margins available for patrons since organization have been \$4,328,746. Of this amount, CCI paid \$520,676 as dividends on capital stock, \$3,659,570 as patronage refunds in capital stock and retained the remaining \$148,500 as unallocated surplus. It has retired a total of \$404,900 of capital stock (representing patronage refunds) under its revolving capital plan.

The financial condition of CCI on November 30, 1956 and 1957, is shown in the following statement:

Assets:	1956	1957
Current assets.....	\$2,380,439	\$2,657,746
Fixed assets (net).....	502,164	523,701
Other assets.....	1,335,726	1,528,165
Total.....	4,218,329	4,709,612
Liabilities and net worth:		
Current liabilities	407,135	642,719
Long-term notes	389,720	374,370
Net worth (capital and reserves)	3,421,474	3,692,523
Total.....	4,218,329	4,709,612

On November 30, 1957, principal facilities owned and operated by CCI consisted of the following:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Land	-	\$36,997	\$36,997
Warehouse and office (buildings and equipment) ..	4	530,669	289,476
Bakery (building and equipment).....	1	117,005	29,572
Coffee roasting plant (equipment)	1	21,027	5,871
Feed mill (building and equipment)	1	168,459	41,670
Garage and delivery equipment	2	248,492	119,615
Oil plant building.....	1	6,510	500
Other (Duluth).....	-	-	-
Total.....	-	1,129,159	523,701

CCI also had \$1,528,165 invested in federations of regional cooperatives operating various manufacturing and wholesaling facilities.

On November 30, 1957, CCI had 209 employees. Of these 101 were engaged in general and administrative activities, 42 in manufacturing and processing operations, and 66 in wholesale distribution, including warehousing and transportation.

Tennessee Farmers Cooperative

The Tennessee Farmers Cooperative, La Vergne, was organized September 27, 1945. At the end of 1957, it was serving 88 county cooperatives in Tennessee, 78 of them members. These associations were serving about 150,000 patrons, 95 percent of them farmers. None of the locals was under management and financing arrangements with the State association.

Membership is obtained by purchasing one \$100 share of common stock and agreeing to provisions of the bylaws. Each member association has only one vote. The State association has 7 directors elected by districts for staggered terms of 3 years. Tennessee Farmers Cooperative is independent of the Tennessee Farm Bureau Federation, but frequently one or more directors may be on the board of both organizations. The same relationship exists among the county cooperatives and county farm bureaus.

Tennessee Farmers Cooperative distributed supplies at wholesale during fiscal years ended December 31, 1956 and 1957 as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$1,580,622	\$1,902,183
Fertilizer	5,240,539	6,207,216
Seed.....	1,743,278	1,751,335
Building supplies and hardware.....	1,131,844	1,416,950
Petroleum products	2,178,061	2,822,512
Other	181,758	285,678
Total.....	12,056,102	14,385,874

Net margins available to patrons and their distribution in 1956 and 1957 were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash dividends on capital stock.....	\$82,350	\$117,833
Patronage refunds paid in preferred stock	411,600	329,970
Amount retained in capital reserves	13,832	27,202
Total.....	507,782	475,005

In addition to net margins available to patrons at the end of 1957, the association paid out \$317,921 in cash during the year to the county co-ops on special performance programs. The amount of such refunds in 1956 was \$308,222.

T.F.C. operates on a revolving capital plan, which is not under a firm advance commitment. The association has retired allocated reserves through part of 1951 and all preferred stock through 1947. Preferred stock issued in 1948 was recalled in January 1958.

Total net margins available for patrons since organization in 1945 have been \$2,440,284. Of this amount, the association paid \$410,034 as cash dividends on capital stock, \$55,758 in cash patronage refunds, and allocated and retained \$1,974,492 as capital reserves or preferred stock. The cooperative has retired member equities totaling \$192,743 since organizing.

The financial condition of Tennessee Farmers Cooperative on December 31, 1956 and 1957 is shown in the following condensed statement:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$2,270,749	\$1,852,051
Fixed assets (net).....	936,596	1,739,414
Other assets.....	279,609	263,826
Total.....	3,486,954	3,855,291
Liabilities and net worth:		
Current liabilities	1,059,222	567,466
Other liabilities	14,048	393,565
Net worth or member and patron equities	2,413,684	2,894,260
Total.....	3,486,954	3,855,291

On December 31, 1957, about 70 percent of the association's net worth was represented by stock and the remaining 30 percent had been accumulated through retained patronage refunds and allocated reserves.

The operating facilities owned by Tennessee Farmers Cooperative on December 31, 1957, were:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Fertilizer plants (including rail sidings and land).....	3	\$834,214.30	\$527,468.18
Seed plant.....	1	120,493.55	88,040.45
Warehouses.....	3	222,226.36	177,529.86
Trucks and auto.....	5	21,897.40	8,465.85
Other (includes feed mill under construction).....	1	974,349.68	937,911.84
Total.....	-	2,173,179.29	1,739,414.18

Tennessee Farmers Cooperative also had \$263,166.09 invested in federations of regional cooperatives which operated manufacturing and wholesaling facilities.

As of December 31, 1957, the cooperative had 150 employees. Of this number 33 were engaged in general and administrative activities, 93 in manufacturing or processing supplies, and 24 in wholesale distribution, including warehousing and transportation.

Poultrymens Cooperative Association of Southern California

The Poultrymens Cooperative Association of Southern California (PCA), with headquarters in Los Angeles, was organized in January, 1931. It was formed to acquire most of the physical assets and business of cooperative egg marketing and poultry feed milling associations owned by poultrymen in the area. PCA is a centralized cooperative which had 1,902 members on March 31, 1957. It serves an area comprising most of eight counties in the vicinity of Los Angeles. All but one-half of 1 percent of its business was done with members in 1957.

Any person, company, corporation, or partnership engaged in poultry and egg production is eligible for membership, provided the operator has a project consisting of 400 laying hens or its equivalent. The membership fee is \$10. Each member has a minimum of 1 vote and receives an additional vote for each \$5,000 of yearly business with the association up to a maximum of 5 votes.

PCA has 9 directors, 8 elected by districts and 1 elected at large. Their term of office is 3 years with 3 elected each year. Each district has an informal local organization which functions in an advisory capacity to PCA, and as an educational agency for its members.

PCA serves feed and supply patrons through 8 branch plants in addition to the headquarters facilities. The central plant at Los Angeles consists of complete feed manufacturing and pelleting equipment, bulk grain storage, bulk feed delivery equipment, an egg handling department, central supply department, and general offices. All branches except three have feed manufacturing facilities. Two are retail stores, and one serves as an agency for handling PCA feeds. Bulk feed delivery is available in all districts. Eggs are candled and sold at the Los Angeles central plant and at the Atascadero branch.

PCA distributed supplies and equipment to patrons during the fiscal years ended March 31, 1956 and 1957 as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed	\$13,083,431	\$13,360,225
Miscellaneous supplies (mostly poultry supplies and equipment)	<u>299,922</u>	<u>266,165</u>
Total.....	13,383,353	13,626,390

Feed volume in the 1957 fiscal year was 165,162 tons, with about 79 percent delivered in bulk by 33 specially equipped trucks operated by the association. This compares with 164,402 tons in 1956--71 percent delivered in bulk by 34 trucks.

PCA has always performed egg marketing services for its members. Sales of eggs totaled \$3,169,884 during fiscal year 1956 and \$2,831,505 during 1957. A total of 7,126,747 dozen was marketed in 1957.

Net margins available to patrons and their distribution in 1956 and 1957 fiscal years were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Patronage refunds:		
Cash	\$734,698	\$676,611
Revolving fund credits.....	345,950	357,004
Additions to general reserves.....	<u>(14,512)</u>	<u>(28,642)</u>
Total.....	1,066,136	1,004,973

Net margins, or savings, are computed separately for the feed, supply, and egg departments and returned to all members on a patronage basis with the same rates declared for all branches. During 1957, about 68 percent of the feed and supply department overages on member business was paid as a cash refund. The remaining 32 percent plus the entire egg department overage, which is small because of the policy of advances to members, was retained in the revolving fund.

During fiscal year 1956, PCA retired in cash \$286,817 of revolving fund credits for the 1948-49 fiscal year. During 1957, it retired credits of \$323,917 for the 1949-50 fiscal year.

Total net margins available to patrons since organizing in 1931 were \$9,560,150. Of this amount, PCA retired in cash \$1,915,500 in revolving fund credits, paid \$5,071,100 in cash patronage refunds, and retained the remaining \$2,573,550 in revolving fund credits and general reserves for capital purposes.

PCA has a system of financing that is somewhat unusual for most areas except the West. Practically all of its member capital is represented by a 7-year revolving fund. Capital is accumulated by retaining capital overcharges of markups on feed and supplies which are added to the billing prices to members, and by retaining a fixed percent of the returns received for products marketed for members. These capital overcharges or retains are represented by the "revolving fund credits" shown in the "distribution of net margins" section of this report.

Mixed feed is the foundation of PCA's capital structure. Prices are determined weekly, based on replacement value of the feeding ingredients plus estimated cost of milling, distribution, and general administrative expense. To this is added a capital overcharge, which in recent years has been 25 cents per 100 pounds. Of this 25-cent capital markup, about half is regularly placed in the revolving fund structure and the remainder is used

essentially as protection against losses from inventory declines. If, however, inventory appreciation occurs, about 12.5 cents per 100 pounds, plus inventory gain and any savings made in achieving costs under original estimates, are returned as cash patronage refunds.

The financial condition of PCA on March 31, 1956 and 1957, is shown in the following condensed statement:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$2,374,383	\$2,375,438
Fixed assets (net).....	1,326,323	1,367,901
Other assets.....	126,265	107,549
Total.....	3,826,971	3,850,888
Liabilities and member equities:		
Current liabilities	1,162,559	972,761
Other liabilities	22,888	197,290
Member equities or net worth.....	2,641,524	2,680,837
Total.....	3,826,971	3,850,888

On March 31, 1957, principal operating facilities owned by PCA were:

<u>Facilities</u>	<u>Number of plants</u>	<u>Cost value</u>	<u>Depreciated value</u>
Central feed mill, supply department, egg handling facilities, and general office...	1	\$975,320	\$458,511
Branch stations and mills	7	1,174,922	719,187
Automobiles and trucks	-	548,465	190,203
Total.....	-	2,698,707	1,367,901

PCA also had \$6,786 invested in other regional cooperatives which operate various manufacturing or processing facilities.

On March 31, 1957, PCA had 298 full-time employees. Of these 31 were engaged in general and administrative activities, 203 spent a majority of their time in feed and supply operations, and 64 spent most of their time in egg marketing operations.

Arkansas Farmers Association

The Arkansas Farmers Association (A.F.A.), formerly Arkansas Farm Bureau Cooperative, with headquarters in North Little Rock was organized in 1945. As of May 31, 1957, A.F.A. served 47 local member associations which operated 56 retail outlets, 8 nonmember local cooperatives, 12 private dealer-agents handling a general line of farm supplies, and approximately 100 private dealers primarily handling fertilizer. These outlets in turn served approximately 50,000 farmers. None of the member co-ops was under management or supervision agreements with A.F.A.

Membership in A.F.A. is limited to local cooperatives and is obtained by purchasing one \$100 share of common voting stock and agreeing to the provisions of the bylaws. Each member association has only one vote.

A.F.A. has 12 directors. Of these 10, or 2 from each of 5 districts, are elected for staggered terms of 3 years. In addition, one director is elected for a term of one year from the district purchasing the largest dollar volume from A.F.A. during the preceding year, and one director is elected for one year who shall be the president of the manager's association. A.F.A. is independent of any farm organization in the State.

This cooperative distributed supplies at wholesale during fiscal years ended May 31, 1956 and 1957, as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed (direct and warehouse).....	\$6,586,235	\$6,928,983
Seed.....	743,614	1,040,471
Insecticides.....	613,156	637,708
Fertilizer.....	1,537,504	1,199,732
Baby chicks and hatching eggs.....	1,117,411	953,435
Petroleum products.....	639,542	792,732
General farm supplies.....	283,087	250,777
Total (net).....	11,520,549	11,803,838

Net savings available to patrons and their distribution in fiscal years ending in 1956 and 1957 were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Dividends on preferred stock.....	\$16,943	--
Cash patronage refunds.....	-0-	--
Patronage refunds in certificates of equity.....	71,417	--
Retained in capital reserves.....	17,855	-203,435
Total.....	106,215	-203,435

The association retired, in cash or by application on receivables, certificates of equity amounting to \$175,674 in the fall of 1955 and \$114,851 in the fall of 1956 under a revolving capital plan. It has now retired practically all such equities issued before 1953 and approximately 20 percent of those issued in 1953.

The financial condition of Arkansas Farmers Association on May 31, 1956 and 1957 was:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$1,163,084	\$1,114,095
Fixed assets (net).....	420,353	475,743
Other assets.....	10,194	1,125
Investments and equities in cooperatives.....	149,755	54,798
Total.....	1,743,386	1,645,761
Liabilities and net worth:		
Current liabilities.....	720,567	936,753
Other liabilities.....	126,778	120,780
Net worth or member and patrons equities.....	896,041	588,228
Total.....	1,743,386	1,645,761

Facilities owned and operated by A.F.A. at the close of its 1957 fiscal year included:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Farm supply warehouse, equipment, land, and and office.....	2	\$165,437	\$121,037
Seed plant (building and equipment).....	1	92,896	78,265
Hatcheries--complete.....	2	203,642	140,273
Breeder farm.....	1	119,093	99,149
Automobiles and trucks.....	14	36,619	20,171
Other--Leased building and land.....	1	20,671	16,848
Total.....	-	638,358	475,743

A.F.A. also had \$38,984 of investments and patrons' equities in regional cooperatives and federations of regionals which were operating various manufacturing facilities. This did not include stock in the bank for cooperatives.

On May 31, 1957, the Arkansas Farmers Association had 54 employees, of which 16 were engaged in general and administrative activities, 9 in wholesale distribution including warehousing, 9 in seed processing and warehousing, and 20 in hatchery and other poultry operations.

Farmers Union State Exchange

The Farmers Union State Exchange, with headquarters at Omaha, Nebr., was organized in 1914. On September 30, 1957, it was serving 410 member associations with 78,000 patrons, 95 percent of them farmers. Through 40 private dealers, it reached an additional 7,500 patrons, 95 percent of them farmers. The association also owned and operated 5 retail farm supply stores which served 3,200 patrons, 85 percent of them farmers. None of the member co-ops was under management and financing agreements with the Exchange.

The Exchange also has 4,858 individual farmer members. Most of them became members in the early days of the Exchange when it did a mail order business. Some are located in areas served by dealer agents and retail branches. The stock of these members is being retired gradually and the branches are being converted into local cooperatives. Thus in effect the Exchange operates as a federated organization.

Membership in the Exchange is obtained by purchasing a \$12.50 share of common stock and agreeing to provising of the bylaws. Each member has only one vote. The Exchange has 7 directors elected at large for staggered terms of 3 years. The Exchange is organized independently of the Nebraska Farmers Union, but works in close harmony with that organization, and in turn its members account for a large portion of the sales of State Exchange merchandise.

The Exchange distributed supplies at wholesale during fiscal years ended on September 30, 1956 and 1957, as follows:

<u>Commodities</u>	<u>1956</u>	<u>1957</u>
Feed, seed, fertilizer, and insecticides	\$327,335	\$419,922
Gas, oil, and grease.....	4,771,176	4,980,313
Tires, tubes, and other accessories.....	244,743	300,482
Farm machinery and hardware	305,377	397,914
Farm equipment and fencing.....	145,769	120,043
Paint.....	36,809	43,243
Twine.....	5,687	326
Coal.....	86,109	63,913
Groceries	194,539	86,662
Clothing.....	9,957	6,207
Roofing.....	31,319	20,106
Miscellaneous.....	4,610	5,137
Total.....	6,163,430	6,444,268

The Exchange also had retail sales of \$746,537 in 1956 and \$528,591 in 1957.

Total net margins available to patrons from all operations and their distribution for the 1956 and 1957 fiscal years were:

<u>Distribution of net margins</u>	<u>1956</u>	<u>1957</u>
Cash dividends on capital stock.....	\$32,560	\$34,504
Patronage refunds allocated as member equities.....	506,235	469,811
Total.....	538,795	504,315

The association distributed its net margins in the following manner: "Earnings received from manufacturing cooperatives are paid in the same form as received. All earnings from wholesale brokerage and merchandising operations are paid one-half in shares of stock and one-half in ten-year patronage dividend notes."

During the fiscal year 1956, patronage dividend notes and debentures amounting to \$434,395, originally issued in payment of patronage refunds, were retired in cash. The amounts retired in fiscal year 1957 totaled \$206,846. Retirement of these member equities is not on a definite revolving schedule, but entirely at the discretion of the board of directors and the shareholders.

The financial condition of the Farmers Union State Exchange on September 30, 1956 and 1957, is shown in the following condensed statement:

	<u>1956</u>	<u>1957</u>
Assets:		
Current assets.....	\$1,353,328	\$1,327,947
Fixed assets (net).....	176,599	168,206
Other assets.....	1,903,578	2,041,444
Total.....	3,433,505	3,537,597
Liabilities and net worth:		
Current liabilities.....	351,599	331,549
Other liabilities.....	475,475	415,798
Net worth or member and patron equities.....	2,606,431	2,790,250
Total.....	3,433,505	3,537,597

On September 30, 1957, the Exchange had principal operating facilities as follows:

<u>Facilities</u>	<u>Number of plants or units</u>	<u>Cost value</u>	<u>Depre- ciated value</u>
Office building and warehouse.....	1	\$166,249	\$58,365
Lubricating oil compounding plant.....	1	179,500	45,166
Transport trucks.....	5	70,459	14,540
General delivery trucks.....	8	22,022	3,162
Locker plant.....	1	9,309	90
Truck garages.....	3	12,619	2,997
Retail farm supply stores.....	2	57,818	31,059
Total.....		517,976	155,379

The Exchange also had \$2,036,377 invested in federations of regional cooperatives which operated various manufacturing and wholesaling facilities.

At the close of the 1957 fiscal year, the Exchange had 118 employees. Of these, approximately 20 were engaged in general and administrative activities, 21 were in manufacturing or processing operations, 51 were in wholesale distribution, including warehousing and transportation, and 26 were in retail distribution.

PART II

SUMMARY OF 21 MAJOR REGIONAL COOPERATIVES

This section summarizes the information on the 21 regional cooperatives described in this report.

Year of Organization

The 21 regional farm supply cooperatives were organized in the following years:

<u>Year</u>	<u>Number of associations organized</u>	<u>Year</u>	<u>Number of associations organized</u>
1914.....	1	1929.....	2
1916.....	1	1931.....	2
1917.....	2	1933.....	2
1918.....	1	1934.....	2
1920.....	1	1945.....	2
1923.....	2		
1926.....	1	Total.....	21
1927.....	2		

Type and Number of Retail Outlets

The 21 cooperatives operated throughout most of the United States. In addition a number of smaller and often specialized regional associations operated in the same areas.

The 21 cooperatives distributed supplies through 7,933 retail outlets in 1956, and 7,940 in 1957. The type and number of outlets were:

<u>Type of retail outlet</u>	<u>1956</u>	<u>1957</u>
Local member cooperatives:		
Not managed or supervised by the regional.....	4,343	4,401
Managed or supervised by the regional.....	282	298
Local nonmember cooperatives.....	871	892
Managed cooperative service stores or subsidiaries and branches	618	624
Private service agencies or dealer agents	1,387	1,347
Farmer-representatives or farmer-agents	432	378

The "local member cooperatives" included in this classification are independent organizations holding membership interests in the regional associations. The "nonmember cooperatives" are also independent but are only patrons of the regional cooperatives. The "managed cooperative service stores or subsidiaries and branches" are under direct management of the regionals. "Private service agencies or dealer agents" are private concerns that perform a distributing service for the regional cooperatives in accordance with mutually agreeable policies. These plans include provisions for passing on to the farmers the patronage refunds distributed by the regionals. Similarly, the "farmer-representatives" or "farmer-agents" are farmers who serve as distributing agents for the regionals. The association reports in Part I give more detailed information on the character of local service outlets.

Number of Patrons Served

The number of patrons served by the 21 regional cooperatives during fiscal years ended in 1956 and 1957 was:

Fiscal year	Farmers		Nonfarmers	
	Total	Percent of patrons	Total	Percent of patrons
1956	2,993,504	92.1	258,065	7.9
1957	3,028,651	91.4	283,740	8.6

Membership Requirements

The financial requirements for membership reported by 19 of the associations were:

<u>Requirements</u>	<u>Number of cooperatives</u>
Capital stock:	
One \$1 share by farmer	2
One \$5 share by farmer	1
One \$12.50 share by local cooperative	1
One \$25 share by local cooperative	3
One \$100 share by local cooperative.....	5
Ten \$100 shares by local cooperative	1
One \$1 share by farmer; one no par share by local cooperative	1
One no par share by local cooperative.....	1
Membership fee:	
One \$2.50 membership by farmer.....	1
One \$10 membership by farmer.....	2
Other:	
Patronize the cooperative, provided patron is a farmer.....	1
Total.....	19

Voting Provisions

The voting provisions reported by 19 of the associations were:

<u>Provisions</u>	<u>Number of cooperatives</u>
One vote per member cooperative or farmer.....	15
One vote per member cooperative plus one vote for each \$100,000 of purchases in excess of first \$5,000 of purchases.....	1
One vote per member-farmer plus one vote for each \$5,000 of business with cooperative annually, with a maximum of 5 votes.....	1
One vote per member cooperative plus one vote for every 50 members in the local provided it owns one share of stock for each 50 members	1
One vote per member-farmer plus one vote for each \$250 of eggs marketed, for each \$250 of poultry and turkeys marketed, and for each \$500 of feed and supplies purchased.....	1
Total.....	19

Number and Term of Directors

Data provided on directors by 18 associations were:

	<u>Number of directors</u>	<u>Number of associations</u>
Elected:		
5.....		1
7.....		3
8.....		1
9.....		2
10.....		3
11.....		2
12.....		1
16.....		1
21.....		1
26.....		1
34.....		1
53.....		1
Total.....		18
Public (In addition to elected directors):		
1.....		3
2.....		1
4.....		3
6.....		1
Total.....		8

Thirteen of 17 associations reporting terms of their elected directors stated that they elected their directors for 3-year terms, three elected theirs for 2-year terms, and only one elected their directors for one-year terms. All with 2 and 3-year terms were elected on a staggered basis. Of the 7 associations reporting terms of their public directors, four associations had 1-year terms, one had a 2-year term, and two had 3-year terms.

Number of Employees

The number of employees of the 21 regionals at close of fiscal years ended in 1956 and 1957 were:

Type of activity	1956		1957	
	Total	Percent of total	Total	Percent of total
Administrative.....	4,529	23.0	4,285	21.2
Manufacturing and processing.....	6,405	32.6	6,844	33.8
Wholesale distribution (including warehousing and transportation).....	2,940	15.0	2,650	13.1
Retail distribution.....	4,076	20.7	4,679	23.1
Marketing farm products.....	1,707	8.7	1,770	8.8
Total.....	19,657	100.0	20,228	100.0

Fiscal Year Endings

The number of regionals closing their fiscal years on the following specified dates in 1957 were:

<u>Date</u>	<u>Number</u>	<u>Date</u>	<u>Number</u>
March 31	1	Nov. 30.....	1
May 31	1	Dec. 31.....	<u>8</u>
June 30	5		
Aug. 31	4	Total.....	21
Sept. 30	1		

The dollar volume of supplies of the 7 closing their year during the first half of 1957 accounted for 37 percent of the total for all associations. The volume of the remaining 14 accounted for 63 percent of the total.

Dollar Volume of Business

Seventeen of the 21 regionals distributed supplies at wholesale totaling \$822.9 million in fiscal 1957 compared with \$756 million in fiscal 1956. The other 4 regionals distributed their supplies primarily at retail, and their volume totaled \$159.4 million in 1956 and \$155.6 in 1957.¹

Five of the 17 regionals also reported the volume of supplies handled by retail affiliates and branches--\$196.4 million in 1956 and \$219.8 million in 1957. When this volume was added to that of the four regionals distributing supplies direct to patrons, total retail volume was \$356 million in 1956 and \$375 million in 1957.

Combined volume of supplies distributed at wholesale and retail by the 21 regionals was \$1,112 million in 1956 and \$1,198 million in 1957.

Combined volume of farm products marketed by 11 regionals was \$211.7 million in 1956 and \$206.3 million in 1957.

Types of Supplies Handled²

Table 1 and figure 1 show the relative importance of the various types of supplies handled at wholesale by 17 regional cooperatives and those handled primarily at retail by 3 regional cooperatives during fiscal 1957. Total volume distributed in 1957 showed an increase of almost 8 percent over that distributed in 1956. Feed, petroleum products, and fertilizer made up 82.9 percent of the total volume in 1956 and 82.5 percent in 1957.

Feed predominated in the dollar volume of 9 associations, petroleum products in 8 associations, fertilizer in 2 associations, and groceries in 1 association. Feed accounted for \$325 million of the volume of the 20 associations, petroleum products \$301.1 million, and fertilizer \$112.7 million.

Dollar volume of feed handled in 1957 showed an increase of 6 percent over that handled in 1956. Petroleum products increased 8 percent and fertilizer 10 percent. Insecticides and fungicides showed the largest increase, 20 percent, followed by twine with 16 percent, tires, tubes, and auto accessories with 14 percent, and seed with 13 percent.

¹Eastern States Farmers' Exchange, Inc., Washington Co-operative Farmers Association, Poultry Producers of Central California, and Poultrymens Cooperative Association of Southern California distributed supplies direct to individual patrons primarily at retail.

²Data by commodities available for only 20 associations.

Table 1.--Supplies distributed by 20 major regional farm supply cooperatives during fiscal years 1956 and 1957¹

Commodity group	1956		1957		Percent of increase or decrease
	Amount	Percent of total	Amount	Percent of total	
	\$1,000		\$1,000		
Feed.....	306,977	37.0	325,014	36.3	5.9
Petroleum products.....	279,054	33.6	301,097	33.6	7.9
Fertilizer.....	102,245	12.3	112,675	12.6	10.2
Seed.....	25,624	3.1	29,055	3.2	13.4
Lumber, paint, hardware, and maintenance material.	23,149	2.8	24,745	2.8	6.9
Farm machinery and other farm equipment.....	20,173	2.4	20,461	2.3	1.4
Tires, tubes, and auto accessories.....	18,658	2.2	21,211	2.4	13.7
Steel products.....	15,056	1.8	15,686	1.8	4.2
Insecticides and fungicides	11,654	1.4	13,965	1.6	19.8
Electrical equipment and appliances.....	7,039	0.9	7,825	0.9	11.2
Groceries.....	6,220	0.8	6,623	0.7	6.5
Twine.....	2,202	0.3	2,552	0.3	15.9
Coal.....	906	0.1	991	0.1	9.4
Miscellaneous.....	11,120	1.3	13,140	1.4	18.2
Total.....	² 830,077	100.0	³ 895,040	100.0	7.8

¹ Includes the value of supplies distributed at wholesale to local cooperatives by 17 regional cooperatives and direct to patrons (primarily at retail) by 3 associations.

² Includes \$97,000 of interdivision transactions not reported by commodity.

³ Includes \$281,000 of interdivision transactions not reported by commodity.

Amount and Distribution of Net Margins

Total net margins available to patrons of the 21 associations amounted to \$50.4 million for fiscal year 1956 and \$52.9 million for 1957, showing an increase of 5 percent.¹

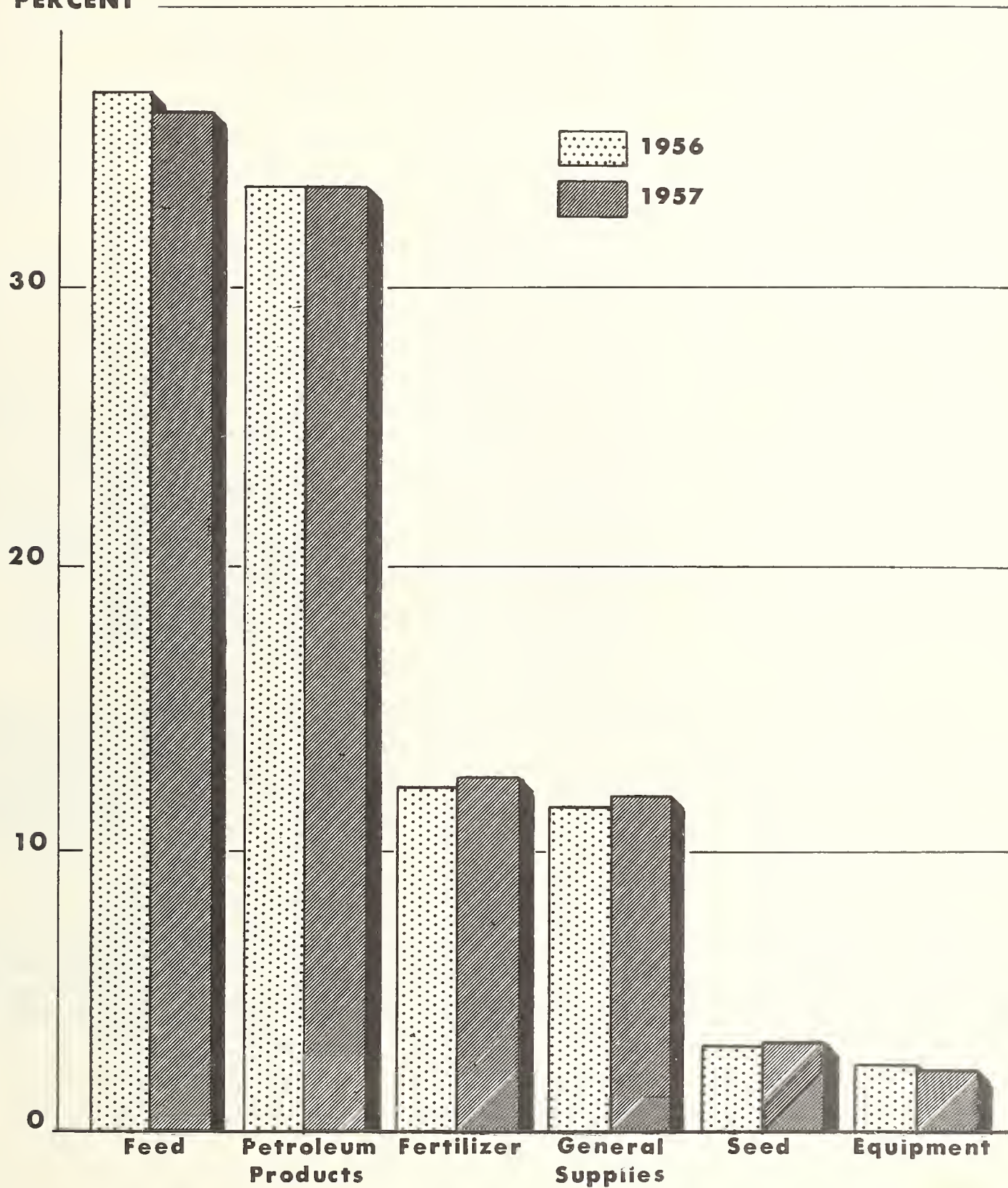
Cash dividends on capital stock increased from \$5.5 million in 1956 to \$5.9 million in 1957--up 9 percent. Patronage refunds distributed in cash amounted to \$11.2 million in 1956 and \$13.2 million in 1957, an increase of 17.2 percent. Patronage refunds deferred in the form of capital stock, certificates of equity, and other equity holdings decreased from \$26.3 million in 1956 to \$25.2 million in 1957, or 4.2 percent. Amounts retained in capital reserves or surplus increased from \$7.5 million in 1956 to \$8.6 million in 1957, or 16 percent (table 2 and fig. 2).

¹Net margins available to patrons represent margins after payment of or provisions for Federal income taxes. No attempt was made in preparing this report to obtain income or other tax information because these data would have little comparative significance. Any income taxes shown as paid or accrued by one cooperative cannot be used as a basis for estimating the amount of tax paid or accrued by other cooperatives. Many operate under firm obligations to distribute to their patrons all net margins above operating expenses and dividends on capital stock; therefore, under established legal principles, they may exclude from gross income net margins allocated on a patronage basis in cash or in various forms of member equities.

This right of exclusion applies equally to farmer cooperatives qualifying for exemption under the Internal Revenue Code and also to those that are nonexempt. Qualifying "exempt" associations are permitted to deduct dividends on stock and certain extraneous income in ascertaining their Federal income tax position. Both groups of organizations are subject to essentially all other taxes paid by business enterprises.

Figure 1
Principal Farm Supplies Handled by 20
Regional Cooperatives, 1956-1957

PERCENT



Total net margins available to patrons were 3.8 percent of total sales of farm supplies and farm products in both 1956 and 1957. Such net margins were equivalent to 14 percent of the total net worth of the associations in 1956 and to 13.5 percent of their net worth in 1957.

The amount of capital stock, revolving fund credits, and other equity holdings issued in prior years in payment of patronage refunds which were retired in cash in 1956 and 1957 are shown in the next section of this report.

Table 2.--Distribution of net margins available to patrons of 21 major regional cooperatives handling farm supplies for fiscal years 1956 and 1957¹

Type of distribution	1956	1957	Percent of increase or decrease
Cash dividends on stock or equities.....	\$5,451,467	\$5,925,718	8.7
Patronage refunds:			
Cash.....	11,223,100	13,156,423	17.2
Deferred ²	26,305,272	25,189,653	(4.2)
Retained in capital reserves or surplus..	<u>7,459,231</u>	<u>8,645,564</u>	<u>15.9</u>
Total.....	50,439,070	52,917,358	4.9

¹ Represents net margins available to patrons after any payments of or provision for Federal income taxes.

² Evidenced by capital stock, certificates of equity, revolving fund credits, and other equity holdings. Cash payments applicable to patronage refunds deferred in prior years under revolving capital programs totaled \$9.4 million in 1956 and \$7.8 million in 1957. Thus net balances equivalent to \$16.9 million of the deferred refunds from 1956 operations and \$17.3 million from 1957 operations were retained in the associations.

Revolving of Capital

Fifteen associations reported cash retirements of stock or other equities originally issued in payment of patronage refunds for prior years under revolving capital programs. Such cash retirements totaled \$9.4 million in 1956 and \$7.8 million in 1957. A total of 18 associations are using the revolving capital plan of financing. Information from 16 associations for fiscal year 1957 showed that 5 were revolving their capital within a 5-year period, 5 within a 6- to 8-year period, and 5 within 10 to 14 years.

Total Cash Distributions to Patrons

When cash retirements of revolving capital were added to cash dividends on stock and cash patronage refunds on the current fiscal year's operations, total cash distributed to patrons amounted to \$26.1 million in 1956 and \$26.9 million in 1957 (table 3 and fig. 3). These amounts were equivalent to approximately 52 percent and 51 percent, respectively, of the total net margins available to patrons for the 2 years.

Figure 2
Distribution of Net Margins Available to Patrons
of 21 Regionals for Fiscal 1956 and 1957 ^{1/}

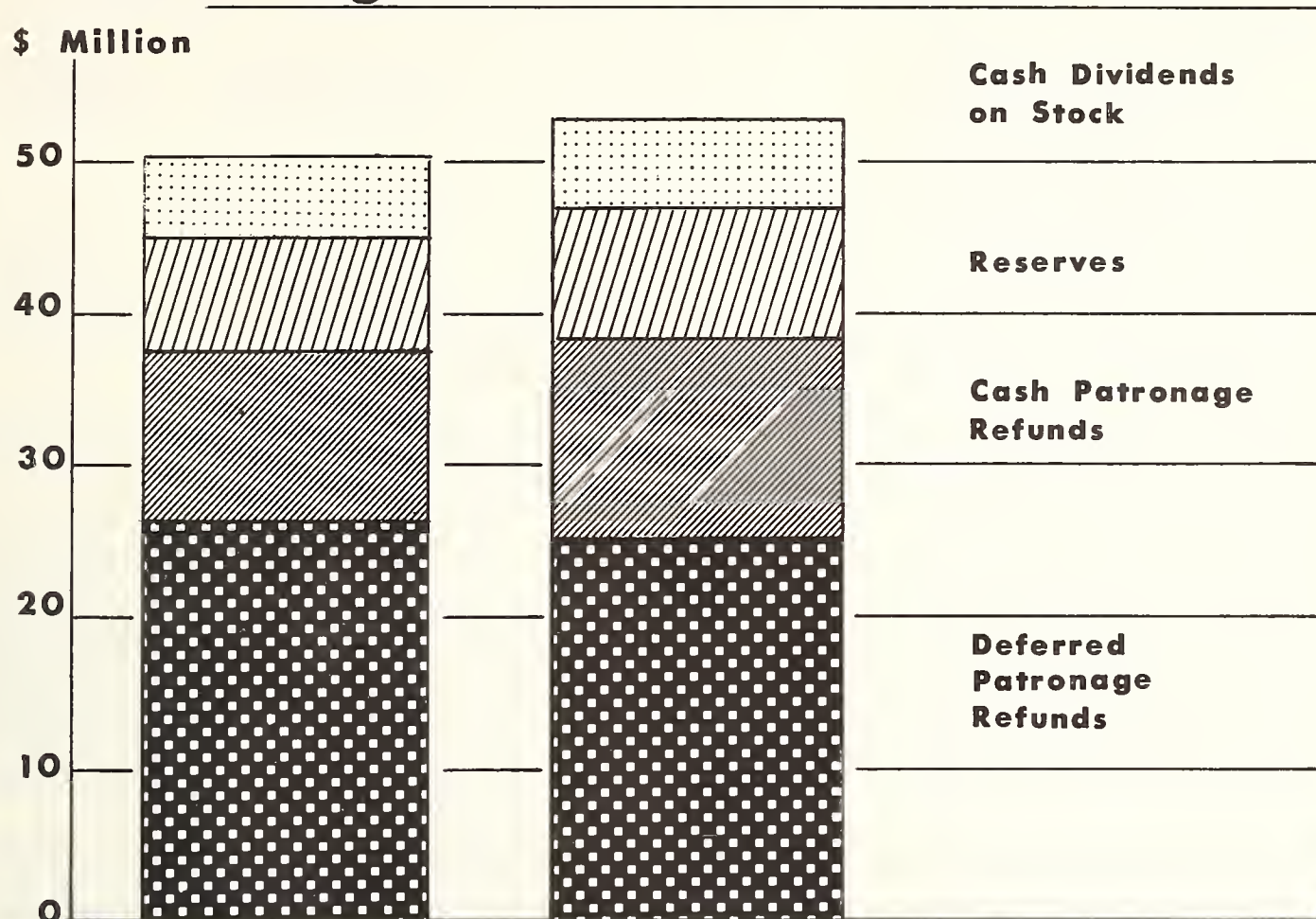
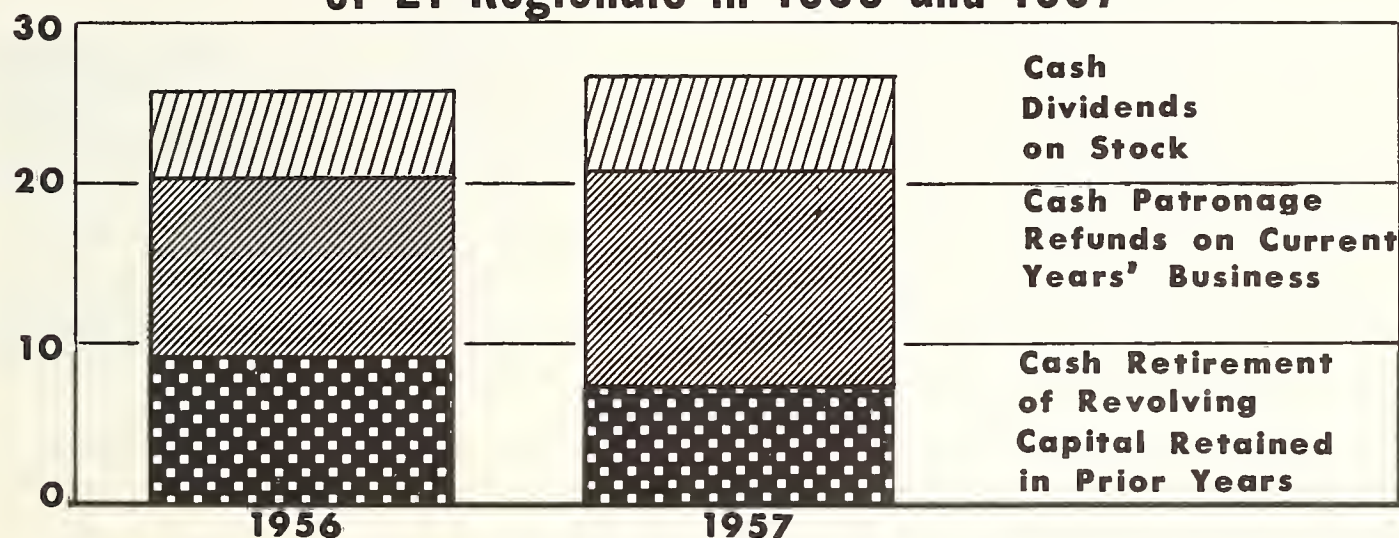


Figure 3. Total Cash Distributed to Patrons
of 21 Regionals in 1956 and 1957 ^{2/}



^{1/} A total of \$9.4 million deferred in prior years was retired in cash in 1956 and \$7.8 million was retired in 1957.

^{2/} Total cash was equivalent to 51.7% of net margins in 1956 and to 50.9% of net margins in 1957.

Table 3.—Total cash distributions to patrons by 21 major regional cooperatives handling farm supplies in fiscal years 1956 and 1957

Type of cash distribution	1956	1957
On current year's operations		
Cash dividends on stock and interest on other equities.....	\$5,451,467	\$5,925,718
Cash patronage refunds.....	11,223,100	13,156,423
Under revolving capital programs		
Cash payment or retirement of deferred refunds, capital stock, and other equities.....	9,391,149	7,836,787
Total.....	26,065,716	26,918,928

Total Net Margins Since Organization

Total net margins available to patrons since organization as reported by 13 regional cooperatives and the distribution of these net margins were as follows:

<u>Distribution</u>	<u>Amount</u>
Cash dividends on capital stock.....	\$42,392,726
Cash patronage refunds	164,930,820
Patronage refunds paid in capital stock on other equities.....	65,362,794
Amounts retained as capital reserves	66,987,876
Total.....	339,674,216

Seven associations reported that capital stock and other equities totaling \$13,417,627 had been retired in cash since organization. Such stock and equities originally had been issued in payment of patronage refunds and were retired under revolving capital programs.

Financial Condition

The financial condition of the 21 farm supply cooperatives at the close of fiscal years 1956 and 1957 is shown in table 4 and fig. 4. Current assets increased about \$21 million, or 8 percent. Net value of fixed assets increased \$18 million, or 9 percent. Other assets increased \$5.3 million, or 7 percent. The latter consisted mainly of investments in federations of regional associations which owned wholesaling and manufacturing facilities.

Current liabilities and other liabilities increased 3 and 12 percent, respectively, in 1957. The associations had \$2.76 of current assets for every dollar of current liabilities in 1957 compared with \$2.64 in 1956.

Members' equities increased 8.8 percent from 1956 to 1957. They represented 67.1 percent of total assets in 1956 and 67.4 percent in 1957.

Figure 4

Assets and Liabilities of 21 Major Regional Cooperatives as of Fiscal Year Ended in 1957

(Million Dollars)

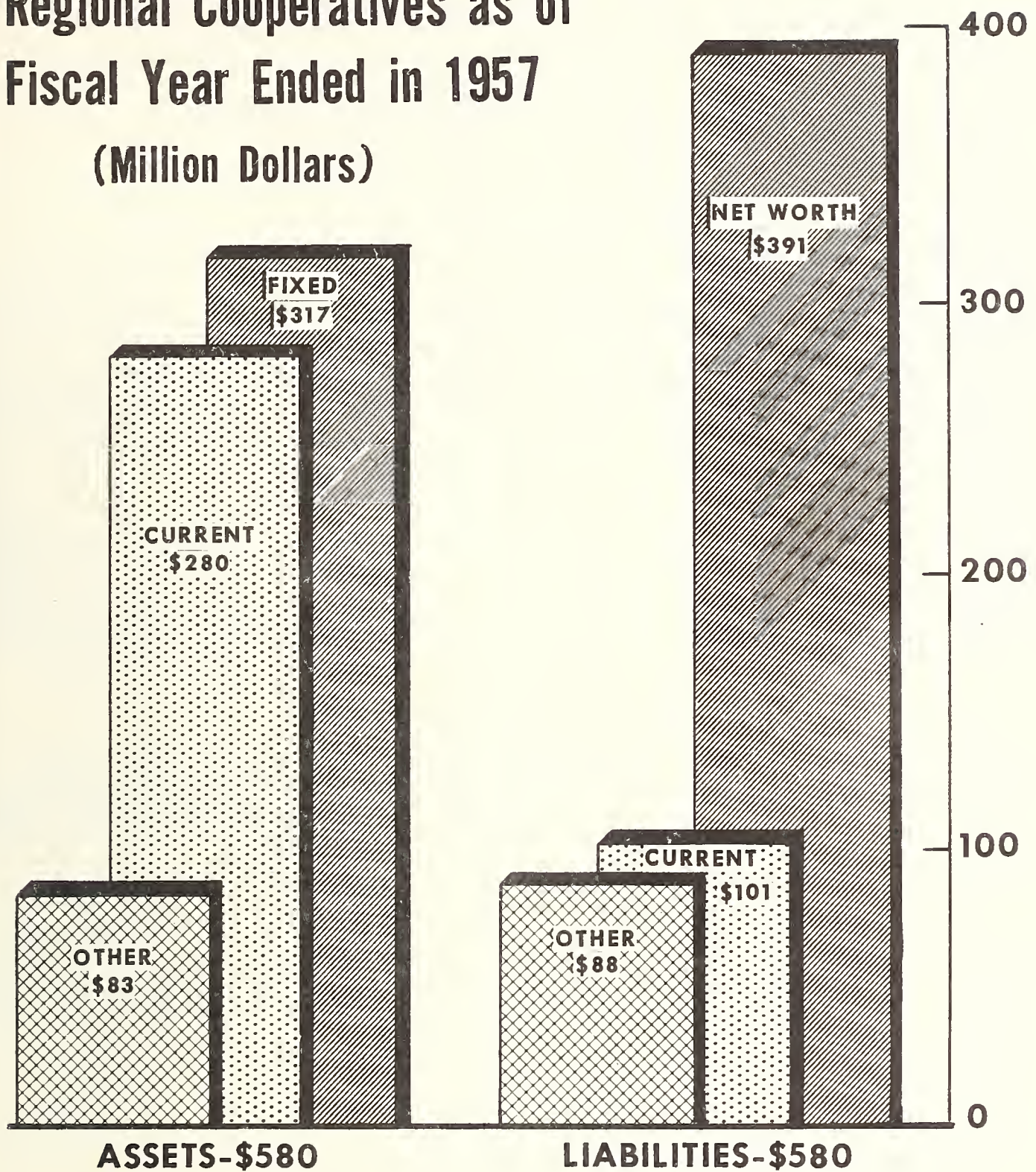


Table 4.-- Consolidated financial statement of 21 major regional farm supply cooperatives
at the close of fiscal years 1956 and 1957

Item	1956		1957		Percent increase
	Amount	Percent of total	Amount	Percent of total	
Assets					
Current assets.....	\$259,543,434	48.5	\$280,193,361	48.3	8.0
Fixed assets (net).. Other assets.....	198,931,063 77,087,285	37.1 14.4	217,277,274 82,402,669	37.5 14.2	9.2 6.9
Total.....	\$535,561,782	100.0	\$579,873,304	100.0	8.3
Liabilities and members' equities					
Current liabilities. Other liabilities... Members' equities...	98,298,465 78,109,708 359,153,609	18.3 14.6 67.1	101,364,523 87,587,938 390,920,843	17.5 15.1 67.4	3.1 12.1 8.8
Total.....	\$535,561,782	100.0	\$579,873,304	100.0	8.3

PART III

FARM SUPPLY BUSINESS OF THREE MAJOR REGIONAL MARKETING COOPERATIVES

Three regional marketing cooperatives, each of which usually distributes more than \$7.5 million of farm supplies annually, are included in this handbook. Two of these--Land O'Lakes Creameries, Inc., Minneapolis, Minn., and The Cotton Producers Association, Atlanta, Ga.--are of the federated type and distribute farm supplies wholesale to local member associations. The third one--Utah Poultry and Farmers Cooperative, Salt Lake City--is a centralized organization that distributes supplies direct to farmers through local branches.

Land O'Lakes Creameries, Inc.

Land O'Lakes Creameries, Inc., with headquarters in Minneapolis, Minn., was organized in 1921. It is a federated organization owned by 357 local member dairy marketing associations which in turn serve approximately 70,000 farmers. Land O'Lakes serves Minnesota, Wisconsin, North Dakota, and South Dakota.

Value of farm supplies, chicks, poults, and equipment distributed at wholesale to members by the Land O'Lakes Creameries, Inc., for the years ended December 31, 1956 and 1957, was as follows:

<u>Commodity</u>	<u>1956</u>	<u>1957</u>
Feed	\$10,415,444	\$11,686,594
Fertilizer	4,369,240	3,329,522
Seed	1,194,697	1,477,617
Chicks	207,241	133,965
Poults	604,114	544,362
Equipment (plant, dairy, poultry, and other)	7,203,751	7,351,926
Total	23,994,487	24,523,986

The Cotton Producers Association

The Cotton Producers Association serves farmers in Georgia, much of Florida, and parts of Alabama through 70 member associations and 11 dealer representatives. Fertilizer, feed, seed, and other farm supplies were distributed to members during fiscal years ended June 30, 1956 and 1957 as follows:

<u>Commodity</u>	<u>1956</u>	<u>1957</u>
Feed	\$5,055,416	\$8,228,060
Fertilizer	3,581,364	4,693,640
Seed	979,088	1,150,799
Other farm supplies and equipment	2,300,668	2,605,356
Total	11,916,536	16,677,855

Net margins on these supply operations amounted to \$845,048 in 1956 and \$1,185,084 in 1957.

Utah Poultry and Farmers Cooperative

Utah Poultry and Farmers Cooperative with headquarters in Salt Lake City was organized in 1923. It is a centralized organization which directly served approximately 4,500 farmers in Utah and Southeastern Idaho through its headquarters and 24 branch stations in 1957.

Value of feed and other farm supplies distributed directly to patrons by Utah Poultry and Farmers Cooperative during the years ended December 31, 1956 and 1957, was as follows:

<u>Commodity</u>	<u>1956</u>	<u>1957</u>
Feed	\$6,500,464	\$5,579,066
Fertilizer	235,720	299,330
Seed.....	188,275	204,809
Other farm supplies and equipment.....	1,231,588	1,277,796
Total.....	8,156,047	7,361,001

Net margins on these operations amounted to \$315,336 in 1956 and \$119,102 in 1957.

Combined Dollar Volume

Total dollar volume of farm supplies distributed by the three regional marketing associations amounted to \$44,067,070 in 1956 and \$48,562,842 in 1957--an increase of 10.2 percent.

Feed was the principal supply item handled. It represented 49.8 percent of the total dollar volume of all supplies distributed in 1956 and 52.5 percent in 1957. The total feed volume was \$21,971,324 in 1956 and \$25,493,720 in 1957, an increase of 16 percent. Fertilizer represented 18.6 percent of total supply volume in 1956 and 17.2 percent in 1957, an increase of 1.7 percent. Seed represented 5.4 percent of total dollar volume of supplies in 1956 and 5.8 percent in 1957, an increase of 19.9 percent.

Dollar volume of all other supplies represented 26.2 percent of total supplies distributed in 1956 and 24.5 percent in 1957, an increase of 3.2 percent.

