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Lawn and Garden Services in Eastern Farmer Co-ops

FARMER COOPERATIVE SERVICE ● U.S. DEPARTMENT OF AGRICULTURE

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, merchandising, product quality, costs, efficiency, financing, 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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Highlights

This report covers results of a study of the lawn and garden services and supplies of 15 local affiliates of 3 regional farm supply cooperatives in the East. The decline of farm acreage around large cities is presenting problems and challenges to farm supply cooperatives in these areas. Many desire information on the possibilities of adding lawn and garden items to offset declining farm supply volumes and to help maintain services to their remaining farmer members.

Objectives of the study, therefore, were to determine: (1) Facilities, policies, practices, and type of operation essential for successful lawn and garden services; and (2) the place of lawn and garden operations in farm supply cooperatives, including possible benefits to member-patrons and problems that may be encountered.

Problems most frequently encountered in starting such stores were selection of a supply line, lack of product knowledge, selection of staff, adaptation of facilities, and competition of supermarkets and discount houses.

Estimating the market potential for lawn and garden items is important but difficult. Income levels, occupations, and type and size of community affect purchases. One association found that use of fertilizer was a good barometer of market potential for other lawn and garden items.

Supplies Handled and Facilities Used. -- Basic items that initially built suburban patronage in lawn and garden stores were seeds, fertilizer, pesticides, paints, hardware, and miscellaneous equipment. These were still the main types of merchandise but the stores had added specialty items, such as nursery stock and lawn and garden furniture. Some also handled white goods, such as freezers, refrigerators, stoves, and washing machines.

Most lawn and garden stores were a part of or similar to farm supply stores. They included display space and enclosed areas for nursery items and open storage for fencing, peat moss, and similar supplies.

Five stores had 1,200 to 2,000 square feet of space; 7 had 2,600 to 4,800 square feet; and 3 had 7,200 to 9,000 square feet.

They used self-service facilities to handle the large number of patrons making small purchases.

Managers recommended separate locations for full-fledged lawn and garden stores to permit better control and analysis of operations. They believed that communities of homeowners with good incomes and new houses were the most desirable locations for lawn and garden stores.

Personnel and Operations. -- The study showed these cooperatives often

shifted personnel from farm supplies to lawn and garden items. Interest in people, agricultural background, and ability to sell were desirable characteristics for employees in lawn and garden stores.

Hours that department managers worked per week in 1960 ranged from 45 to 50; those for sales clerks were from 45 to 60; and those for cashiers were from 40 to 50.

Weekly pay for department managers ranged from \$90 to \$150; for sales clerks, \$50 to \$120; and for cashiers, \$50 to \$70.

Managers purchased many supplies from their own wholesale cooperatives to insure a steady supply line and to take advantage of advertising and promotion programs. Most local cooperatives, however, had to find other sources of supply for many items their wholesales did not handle. Managers also recognized the need for carrying nationally advertised items to meet the demands of a public unfamiliar with cooperative brands.

Managers suggested grouping large numbers of lawn and garden items into several categories based on their similarities to maintain control over purchasing, selling, inventory turnover, margins, and expenses.

Newspapers were the most widely used advertising media. Mailouts of various types proved worthwhile. Radio advertising was used effectively during busy seasons.

Working with garden clubs, distributing garden handbooks, demonstrating equipment, and employing fieldmen to sell and service were other promotion practices.

Suppliers contributed to effective merchandising by assisting with advertising, store layouts, and employee training programs. Several locals believed that more services of these types from their wholesale cooperatives would help.

Business hours followed the urban practice of remaining open Saturday afternoons and some evenings. Four associations stayed open on Sundays.

Special services offered by lawn and garden stores were equipment rental, repair, and storage; fence construction; and retail delivery. A wide range existed in delivery charges.

Most lawn and garden sales were for cash, but limited credit was extended under the same terms as those for general farm supplies. Two associations were considering credit cards.

Volume of lawn and garden items ranged from 20 to 100 percent total business of the retail outlets studied. Sales ranged from a low of \$40,000 to a high of \$430,000 in 1960, with the average slightly over \$200,000.

Accounting systems did not reflect margins and expenses of lawn and garden operations, but several associations had started to keep separate records on this phase of the business.

Principal operating problems were the highly seasonal nature of the business, the incomplete line of supplies handled by wholesale cooperatives, employees' lack of product knowledge and sales ability; inadequate records, and need for determining reliable market potentials for lawn and garden items.

Cooperative Aspects and Objectives. -- All cooperatives in this study limited membership to farmers. Five required nonfarmer patrons to own a share of nonvoting capital stock in order to receive cash patronage refunds.

Six local associations indicated that lawn and garden patrons would receive patronage refunds when net margins justified such action. Nine had no provisions for paying refunds to such patrons.

Farm supply cooperatives generally add lawn and garden supplies to help maintain efficient farm supply services to a declining agricultural area until little or no farming remains. Then they may consider the following alternative plans in determining how extensively to develop this type of business.

1. Operate a lawn and garden service until the farm supply cooperative re-locates, merges with another cooperative in a rural area, or liquidates.

Under this plan a modest store would be developed to make better use of existing facilities and personnel. Patronage refunds probably would not be paid to suburban patrons, but they could be limited to regular patrons who acquire associate memberships.

2. Operate and expand lawn and garden services and gradually transfer ownership of the farm supply cooperative to suburban patrons.

Under this plan, positive efforts would be made to build lawn and garden volume and obtain good facilities at the best location. Eventually, the association could re-incorporate under a cooperative statute permitting nonfarmer patrons as members, and gradually transfer capital equi-

ties of a declining farmer membership to an increasing suburban membership.

3. Operate a full-fledged lawn and garden store in a suburban area for the benefit of farmer members located in other areas of the cooperative.

This plan could be used by a local retail cooperative with branches, or by a regional wholesale cooperative interested in developing retail affiliates or branches that handle supplies and equipment for lawns, gardens, homes, and farms.

The last two alternatives should result in greater volumes and purchasing power for affiliated wholesale cooperatives and provide a means of informing suburban people about cooperatives and agricultural problems.

Opportunities and Advantages. -- Many farm supply cooperatives are in a logical and strong position to handle lawn and garden items for both farmers and suburbanites because they are already providing many of these patrons' needs, they are recognized as agricultural specialists, they can begin handling such items with little change in personnel and facilities, they have the backing of strong wholesale cooperatives, and they need to replace declining farm supply volumes.

The principal advantages of lawn and garden supplies to farm supply cooperatives in this study were: (1) They helped to increase or maintain volume and hold total handling costs at reasonable levels; (2) they increased the purchasing power and net savings of affiliated wholesale cooperatives; (3) they provided continued service and savings to farm patrons; and (4) they provided an avenue for farmer cooperatives to conduct

information and public relations with suburban and city people.

Suggestions. -- Findings of this study indicated that farm supply cooperatives interested in adding or expanding lawn and garden operations should:

- Make a market analysis to determine potential volume, including the type and quality of items to handle and a promising location for a store.

- Establish objectives for lawn and garden operations and periodically evaluate them in light of changing conditions.

- Employ specialized management and other personnel and train them well.

- Begin operations with supplies, and equipment such as seed and fertilizer that are used by both farm and suburban patrons. Do not add nursery and greenhouse items until well-trained personnel can be employed to handle them.

- Select dependable, helpful wholesale

sources of supply.

- Locate facilities for a full-fledged lawn and garden center near the homeowner market in easy-to-find locations.

- Provide attractive and serviceable buildings, equipment, and grounds.

- Adopt a specialized concept of merchandising.

- Carefully plan ways to utilize facilities and personnel during slack volume seasons.

- Provide related lawn and garden supply services.

- Establish the lawn and garden store as a department as long as a substantial amount of farm supplies is handled.

- Follow approved operating practices.

- Consider developing a national cooperative trade name or brand for lawn and garden merchandise.

Lawn and Garden Services in Eastern Farmer Co-ops

by John M. Bailey

*Farm Supplies Branch
Purchasing Division*

The decline of farm acreage as suburban and industrial developments rapidly expand out from large cities presents many problems and challenges to nearby farm supply cooperatives. From 1945 to 1960 farm acreage declined 23 percent (4.1 million acres) in New York State, 22 percent (1.4 million acres) in New Jersey, 21 percent (3.1 million acres) in Pennsylvania, and 16 percent (3.4 million acres) in Ohio.

The 1960 Census also showed what has happened in the last 10 years to urban and suburban population: (1) The average metropolitan area (there were 212 in 1960) increased only 1.5 percent in population within the city itself; (2) the population outside the city limits increased 44 percent; and (3) the population existing in the metropolitan area but beyond the central city and suburbs rose 85 percent. It is in this last area of suburban sprawl where the greatest interspersing of farm and nonfarm families has taken place.

Note: Appreciation is expressed to the personnel of local and regional cooperatives who provided data for this study and to J. Warren Mather of Farmer Cooperative Service for substantial assistance in planning the study and reviewing the manuscript.

Another trend affecting farm supply cooperatives in these areas is the increasing quantity of farm supplies moving directly from plants to large farms. Also, more farmers are buying supplies from fieldmen of the associations. As a result, local retail facilities and personnel are not fully utilized.

The large number of suburbanites represents a large potential market for many items that farm supply cooperatives handle or could easily handle. These cooperatives, therefore, are faced with many questions and far-reaching decisions.

Should they begin handling lawn and garden items; and if so, to what extent? If they are already in this business, should it be expanded? Should a better location or better facilities be obtained? Will problems and disadvantages more than offset the benefits?

What operating policies and practices should be followed? Should farmers keep full ownership and control, or should they gradually transfer ownership and control to suburban patrons? Or, shall they sell out or merge with an outlying cooperative when farm volume becomes a small part of the total?

The need for information to help answer these and other related questions,

therefore, prompted Farmer Cooperative Service to make this initial study of lawn and garden operations of a selected number of supply cooperatives. Specifically, the agency undertook this study to determine: (1) What makes a lawn and garden store successful; (2) where lawn and garden supplies fit into the operations of a farm supply cooperative and their resulting benefits to member-patrons; and (3) what initial problems are encountered when starting a lawn and garden store.

Selected for study were the oldest and more successful lawn and garden

operations of farmer cooperatives in the East. These included 15 local stores or affiliates of three regional cooperatives operating in Virginia, New Jersey, New York, and Ohio.

During early 1961, the writer held interviews with managers, fieldmen, and other personnel connected with the lawn and garden services of these cooperatives to gain data on which most of this study was based. Limited information from other studies and secondary sources also was used.

Initial Problems Encountered

Most farm supply cooperatives in this study gradually added lawn and garden items to offset declining sales of farm supplies and equipment. These usually were stocked in existing farm supply stores, but later some associations established separate stores at the same or different locations.

Problems encountered in initiating lawn and garden services varied greatly. Those most often cited were:

1. Finding a source to get lawn and garden supplies if the regional wholesale cooperative had not yet begun handling them.

2. Lack of product knowledge.

3. Bad advice from nurserymen on varieties and quantities of nursery plants to stock.

4. Selecting a staff to sell the new lawn and garden supplies.

5. Adapting rented facilities for selling lawn and garden supplies.

6. Competition of supermarkets and discount houses.

7. Indifference of farmer directors to the benefits of serving suburban customers.

8. Difficulty in selling own cooperative brands.

9. Reluctance to take the higher markups needed in selling lawn and garden supplies in small quantities after being accustomed to lower markups in selling farm supplies in larger or bulk quantities.

10. Determination of directors to expand.

11. Pricing and guarantees for nursery items.

12. Estimating the market potential for lawn and garden supplies.

Managers with the most problems were those most aggressive in developing full-fledged lawn and garden stores. Managers

with no initial problems were at locations where there was little development of lawn and garden business or where the

shift into lawn and garden supplies and occurred gradually over a long period of time.

Estimating the Market Potential

Estimating the market potential is an important first step before deciding to enter or expand lawn and garden supply business. One of the cooperatives in this study, before entering the business, made a mail survey of a suburban area with 300,000 owner-occupied houses which showed a market potential of more than \$140 million.

Another survey, this one of about 400 families on Long Island, N. Y., showed an average family expenditure of \$143 in 1957 for typical lawn and garden items and an average of \$336 for other items that could be sold at a lawn and garden store (table 1).

The total potential suburban sales for each owner-occupied dwelling using fuel oil thus was \$713 per year. The five largest expenditures were as follows: \$234 for fuel oil; \$124 for home appliances, \$64 for lumber, \$54 for automotive supplies (including tires and batteries), and \$53 for seeds and plants.

Expenditures of suburban families vary somewhat by income levels. In an area with an annual effective buying income of just under \$6,000 per family, an estimated \$162, or 2.7 percent of their total income, was spent for lawn and garden supplies, exclusive of fuel oil. Compare this with the spending for similar supplies of \$479, or 5.4 percent, in the Long Island area where effective incomes averaged \$8,800 a year, or about 50 percent greater.

On the basis of data for these two areas, spending patterns seem to vary substantially among households with effective buying incomes between \$6,000 to \$9,000 annually. By using this information and data in the Sales Management magazine on effective buying income of households in many cities and areas, a cooperative could estimate the suburban market potential of its area.

Another measure involves use of fertilizer as a barometer for market potential. A report in Plant Food Review, Winter 1959, indicates that a nonfarmer's occupation and the size and type of his community influences the amount of fertilizer he uses.

Community size was significant because smaller cities tended to have more houses with yards. Cities with populations below 50,000 used 2 to 3 times more fertilizer per household than cities with populations of 100,000 and above. Larger cities offered additional markets for fertilizer because of their golf courses, city parks, grounds of hospitals and public buildings, industrial sites, and memorial-type cemeteries.

Occupation also affected economic status. Laborers and machine operators used one-half the amount of fertilizer that professional and management people did. Significance of the economic situation was indicated by a comparison of fertilizer used per household by type of community. Communities using the largest amount

Table 1. - *Estimated annual expenditures by suburban homeowners for selected items, Long Island, New York, 1957¹*

Item	Amount spent per family
Seeds and plants (lawn seed, flower and vegetable seeds, plants, bulbs, bushes, shrubs, trees)	\$53
Soil building materials (fertilizer, lime, peat moss)	23
Chemicals to control weeds, insects, diseases	9
Garden tools and equipment (rakes, shovels, hoes, lawnmowers, spreaders, rollers, garden hose, trellises, wheelbarrows)	34
Outdoor living equipment (cooking grills, lawn chairs, beach umbrellas, beach chairs)	24
Total lawn and garden items	143
Paint, paint brushes, and other painting supplies	37
Roofing	9
Refrigerators, freezers, stoves, laundry equipment	124
Tires, batteries, auto accessories	54
Hardware supplies and tools (bolts, nails, hammers, saws)	26
Lumber	64
Pet foods and supplies (cat, dog, fish, bird)	22
Total store items other than lawn and garden	336
Total--all store and lawn and garden items	479
Fuel oil	234
Grand total--all items	713

¹Also see "The Homeowner Market for Nursery Stock, Plants, Supplies, and Equipment," by M. J. Conklin, Oregon Experiment Station Bul. 574, March 1961, Corvallis, Oregon. In this study, total home expenditures averaged about \$60. Purchases at garden centers indicated 38 percent was for power and hand tools and equipment; 31 percent was for fertilizer, pesticides, and miscellaneous supplies; and the balance of 31 percent was for plants, seeds, trees, and shrubs.

of fertilizer in their order were: remote from other communities, Residential suburban, college towns, factory towns, and mining, fishing, and resorts, county seats, ordinary towns lumbering towns.

Supplies Handled and Facilities Used

Two important questions in a lawn and garden program are the types of supplies to handle and the type and location of facilities to use.

Supplies Distributed

The first items farm supply cooperatives began selling to suburban patrons

were seeds, fertilizer, pesticides, paints, hardware, and miscellaneous equipment. These items, regularly carried for farmers, also were used by suburban people. As demand increased for these items, changes were made in the size and type of package and the literature for advertising.

At the time of the study most of the stores carried a variety of staple items. Also included were specialty items, such as lawn and garden furniture and white goods (refrigerators, freezers, washing machines, and stoves). Specifically 9 associations handled white goods and 13 associations handled "living plants," or nursery items. In highly populated suburban areas stores offered merchandise that could be sold all year-round to supplement lagging sales of lawn and garden items in the winter and summer months. Example were novelty items, such as planters, slate, and pets.

In the future most stores planned to carry a full complement of lawn and garden items. Novelty and specialty lines were to be added to the regular line to maintain sales volume during

slack seasons. At stores where nursery products were an important part of volume, managers were considering expanding landscaping services by hiring a professional landscaper. They thought this essential if the full market potential for nursery items was to be reached.

Managers advised caution in moving into nursery stock, suggesting that plants locally grown or suitable for local conditions be added only as experience warranted. Managers also emphasized that success in handling nursery and greenhouse plants required a relatively high degree of professional know-how and that expansion required well-trained personnel.

A suggested classification of lawn and garden items into six groups for



Seeds and weed-control supplies are common items handled by home and garden centers such as this Cooperative G.L.F. Exchange Store on Long Island at Hicksville, N.Y.

recording purchases, sales, and inventories is included in the section dealing with purchasing and inventory control (see page 11).

Facilities and Locations

Most lawn and garden facilities used by the cooperatives were of the farm supply type. Enclosed areas for nursery plants had been added and usually were covered with snow fencing to protect the plants from the sun. Other additions included display areas for lawn and garden merchandise and open storage for fencing, building materials, and peat moss. One cooperative had added a hothouse (containing 2,000 square feet). At most stores parking space was expanded as lawn and garden volume rose.

While buildings for display and sale of lawn and garden supplies ranged from 1,180 to 9,000 square feet, seven associations had 2,000 square feet of space or less. Seven had from 2,600 to 4,800 square feet; and three had between 7,200 and 9,000 square feet (table 2).

Buildings were of brick, cinderblock, wood, and galvanized steel and two cooperatives used quonset-type huts. The cost of one recently built cinderblock building (40 x 50 feet) was \$22,000, or \$11 a square foot.

The seven associations providing data on space and volume had lawn and garden sales amounting to about \$70 a square foot of store space. Gross margins at 25 percent of sales would amount to about \$17.50 a square foot of store space.

The cooperatives found self-service facilities important because of the large number of small individual purchases. To use self-service effectively, experience has shown that checkout counters should be strategically placed to prevent bottlenecks, provide fast service, and make patrons pass the counter before leaving the store.

The location of a lawn and garden service is important, especially if the cooperative plans to expand it into a full-fledged store.

Table 2. - *Size of retail facilities for 15 lawn and garden stores in Virginia, New York, New Jersey, and Ohio, 1961*

Store number	Size of facilities		Store number	Size of facilities	
	Dimensions	Area		Dimensions	Area
	<i>Feet</i>	<i>Square feet</i>		<i>Feet</i>	<i>Square feet</i>
1	40x50	2,000	9	60x60	3,600
2	30x60	1,800	10	(1)	(1)
3	80x112	8,960	11	36x50	1,800
4	30x36	1,080	12	30x40	1,200
5	60x60	3,600	13	24x50	1,200
6	60x160	9,600	14	30x50	1,500
7	60x150	9,000	15	60x80	4,800
8	45x80	3,600			

¹No separate lawn and garden store.



Attractive store fronts in lawn and garden centers help bring in patrons and needed volume.

Where stocks of lawn and garden items were large, managers said they needed a separate store for keeping records and for better control and analysis. Until this separation is made, real contributions of lawn and garden business to overall business is difficult to determine.

Two stores had been specially designed and located to serve lawn and garden patrons. One cooperative had leased a small building in a housing development to conduct lawn and garden business during the spring and fall. Several others had plans for changing locations and acquiring new facilities.

Most stores served trading areas ranging from 7 to 20 miles from headquarters, with the average radius being about 10 miles. The estimated population of their trade areas varied from 40,000 to 1.5 million.

Managers believed a community of homeowners with good incomes and new

houses to be the most desirable location for a lawn and garden store. Sales potential is greater if the homeowners are young, do-it-yourself enthusiasts, and like gardening.

Also, if the homeowners have a variety of occupations, slumps in sales can be minimized during low periods of employment. Some managers said that homeowners in exceptionally high-income brackets were less likely to be customers because they usually hired people to do their gardening and home repairs on a contract basis.

Most managers did not consider their present facilities adequate. They wanted more space, especially for display. Many of the cooperatives needed additional parking space and those with typical farm supply operations were concerned about relocating or setting up branches in areas with good potential lawn and garden volume.

Personnel

Most employees of the lawn and garden stores had been transferred from farm supply stores. Managers were satisfied with their sales performance, although they recognized that because of the differences in customers and products, lawn and garden supplies required a more specialized type of personnel for maximum sales. One manager said that at least one trained employee always should be on the floor to answer customers' technical questions and to teach the other employees.

Qualifications Needed

Selling ability, taking a genuine interest in your customers, having an agricultural background, and possessing technical knowledge were important qualifications for sales personnel. The age of employees also should be considered.

Selling ability was the basic qualification and means exactly what it says: Getting the customer to leave the store with a purchase. It also means being able to wait on all kinds of customers and putting over the point of view most helpful to selling the product.

Managers generally believed that selling to suburban patrons is more difficult than selling to farmers because suburban patrons do not always know what they need or want. Thus, salesmen who can provide advice and technical information are needed. They can practice "suggestive selling" which means getting the customer to purchase items that he did not intend to buy when he entered the store. An example is a "tie-in purchase," such as selling a fertilizer spreader along with fertilizer.

Taking a genuine interest in your customers means friendliness and a desire to be helpful. It especially means patience when selling to suburban customers whose enthusiasm for outdoor living and do-it-yourself programs may not be matched with knowledge or experience.

An agricultural background is helpful because sales personnel are already familiar with many of the products, such as fertilizer, chemicals, and seeds, and thus training time can be cut. Some associations hired retired people with a horticultural background on a part-time basis. One cooperative hired women with a "green thumb."

Managers believed many suburban patrons liked to trade at stores with a "farm setting" where personnel gave useful information, knew product specifications and how to apply them, and, in general, provided superior service. The close relationship of farm supply cooperatives to agriculture was perhaps one of the strong drawing cards that brought suburban patrons to their lawn and garden stores.

Whether sales personnel should be young or old is a moot question. Age and youth both have their advantages. Young sales personnel move quickly, learn readily, and can stand the long hours required in selling lawn and garden supplies. Not surprisingly, managers usually wanted hustlers adjusted to a fast routine.

Not to be overlooked, however, is the product knowledge and experience that comes with age. Ability to handle and meet the public also improves with experience and age.

The ideal combination, of course, is to have both age and youth on the personnel roster: Age to handle the more difficult problems and offer sound advice; youth for aggressiveness, hustle, and fast service.

Employee Training Provided and Needed

Most lawn and garden employees learned their jobs by doing them -- called "on-the-job" training. Also considered a form of training was reading trade papers and observing good sales techniques. Each of the wholesale cooperatives offered employee training, but geared it to farm supply operations.

Several local associations had monthly personnel meetings at which problems of operations were discussed, and new products, methods, and procedures were brought to the employees' attention.

Managers said lawn and garden employees needed to learn more about effective selling techniques. Secondly, they needed to increase their knowledge about the many products they sold. A continuing training program in product knowledge is especially important in fertilizer and insecticides because of the constant flow of new products and technological changes.

Some type of incentive awards program was recommended to encourage employees to aggressively improve their sales techniques and product knowledge, which makes them better salesmen.

Hours and Pay of Employees

Twelve of the 15 associations provided information for the study on hours worked and pay per week for different types of employees in the lawn and gar-



Store cashiers that are accurate and courteous are important assets of home and garden centers.

den centers in 1960 (table 3). They did not have readily available, however, the number of full-time and part-time people working in the lawn and garden stores at different seasons of the year, or the total number of hours they worked that year. In some cases employees worked in both farm supply and lawn and garden departments and time devoted to each was not recorded.

Department managers worked from 45 to 50 hours a week, sales clerks from 45 to 60 hours a week, and cashiers from 40 to 50 hours a week.

Pay for department managers ranged from \$90 to \$150 a week while sales clerks received from \$50 to \$120 a week and cashiers received from \$50 to \$70 a week.

Table 3. - *Personnel, type of work, hours worked per week, and weekly pay for lawn and garden operations of 12 cooperatives in Virginia, New York, New Jersey, and Ohio, 1960*

Store code	Type of work	Hours worked per week	Pay per week
1	Department manager	50	\$100 to 150
	Salesman	50	85 to 110
	Gardener and laborer	50	60 to 65
2	Salesman	47	70 to 85
	Saleslady	41	50 to 65
3	Salesman	50	75 to 95
	Cashier	50	60 to 65
4	Supervisor	48	75
	Salesman	55	65 to 85
5	Supervisor	47	95 to 100
	Salesman and cashier	47	60 to 95
6	Salesman - regular	47	75 to 85
	Salesman - part-time	-	60 to 70
7	Department manager	45	95 to 110
	Salesman	45	90
	Cashier - full-time	40	56
	Cashier - part-time	18	22.50
8	Salesman	47	80 to 125
9	Cashier	45	65 to 70
	Salesman	45	80 to 110
13	Department head	-	90
	Saleslady - part-time	-	60
14	Department manager	47	100
	Nurseryman	47	90
	Cashier	40	50
15	Salesman	48 to 60	65 to 110
<i>Ranges</i>			
All stores	Department managers	45 to 50	90 to 150
	Supervisors	47 to 48	75 to 100
	Sales personnel	41 to 60	50 to 125
	Cashiers	40 to 50	50 to 70

The amount of seasonal labor required in lawn and garden operations and obtaining this seasonal help are questions a farm supply cooperative must consider before going into this business. However, to

some extent regular farm supply personnel can work in the lawn and garden center, because the peak demand periods for many lawn and garden items come at different times than for some farm supplies.

Operations

Operations in the various stores were influenced by many factors. One was having a wholesale affiliation to provide the stores with buying, transportation, advertising, and product specialist services.

Other factors influencing operations were a store's location, particularly whether it was in a heavy flow of patron traffic; income and age of the suburban families; amount of farming in the area; and whether the community was settled or expanding.

Another influence on operations was the age of the lawn and garden business -- the older the business, usually the wider the variety of products and services.

The place of lawn and garden supplies in a cooperative also varied. In five cooperatives, lawn and garden supplies were part of the farm supply operations. In six cooperatives, the lawn and garden business was departmentalized with its own personnel but not with its own records. At four cooperatives, lawn and garden supplies either were separate or were the entire business.

A handicap in studying lawn and garden operations was the lack of adequate records on a departmental basis. Managers said this lack was due to the newness of the lawn and garden programs. They were planning, however, to keep better records.

Purchasing and Inventory Control

Because of the specialized nature of the business, local managers or buyers needed to spend considerable time learning what to buy for patrons, where to obtain supplies, and what the variations in quality and prices were. Knowledge of seasonal sales patterns helped determine how many of each item to stock. Also, they needed to attend clinics and garden shows to gain product knowledge and to keep abreast of latest developments.

Purchasing patterns of local cooperatives varied and depended considerably upon the available services of their regional wholesale cooperatives. Basic items, such as fertilizer, seed, and tools were bought from their wholesale cooperatives, and the other supplies not available from wholesale cooperatives were bought from numerous sources.

Generally, the supplies offered by the wholesale cooperatives were not adequate for needs of the locals carrying lawn and garden supplies. Wholesale cooperatives, however, did help their locals in purchasing supplies by contacting manufacturers and distributors. Thus, locals could pool orders and get buying assistance from experienced wholesale personnel.

The wholesales also arranged with distributors for advertising and service

projects like displays and advertising mats and provided speakers and specialists for meetings or store demonstrations.

Managers recognized that nationally advertised items should be carried to meet the demands of a public who watch television, listen to radios, read newspapers and magazines, and who are unfamiliar with cooperative brands. One manager suggested that no more than two brands of any one item be carried. Several suggested that visits be made to other stores to discover the best lines to handle -- as one manager said, "To see the dusty items as well as those that moved fast."

If floor space for displays is limited, sales and gross margins per square foot for specific items is important. For example, an analysis of sales of lawn and garden supplies by one cooperative indicated that dog food, with a turnover of 15 to 20 times a year, produced more than \$50 of gross margin per square foot of display floor space. Wild bird food, with a turnover of 10 times in a 6-month period, produced gross margins of between \$39 and \$35 per square foot of display space.

Data were not available on the amount of inventory carried for major types of lawn and garden supplies. The cooperatives were planning more adequate records on sales and inventories, however to help compute inventory turnover.

Of 13 associations reporting, 10 stated that they took a physical inventory twice a year for most items. One took such an inventory quarterly, and two took one annually. Several associations, however, took monthly inventories of such items as feed and fertilizer.

Close inventory control is necessary because, without it, margins can be wiped out because of deterioration, obsolescence, or decline in market value that can result from excessive stock carry-over.

Some of the special features of the lawn and garden operation which make close inventory control necessary are: (1) Cooperative employees are unfamiliar with many lawn and garden supplies; (2) most supplies have seasonal demand and are sold in a 2- or 3-month period; and (3) some supplies are perishable.

Daily and weekly sales records are needed so that the manager knows the demands and peak periods of major supplies. Frequent physical inventories help keep records of supplies on hand accurate.

To keep inventory costs at a minimum, seasonal items should be disposed of at the end of the season, if possible. In addition to actual stock losses, excessive inventories are costly because of the capital and space used and the taxes, insurance, and other costs of handling supplies.

As the number of lawn and garden supplies increases, a grouping of similar supplies is needed to make purchasing, selling, and inventory control easier. Such grouping helps in checking performance -- turnover, margins, and expenses, for example.

For a cooperative handling a substantial variety of lawn and garden items, the following groups might be established:

- Plants and related supplies -- includes bulbs, living plants, seed, fertilizers, soil conditioners, peat moss, plant containers, planting pots, edging, trellises,

peat pots, hot tents, and pesticides, and similar items.

- Hardware -- includes all the numerous small items used by both farm and suburban residents, such as paint, shovels, rakes, forks, hoes, nippers, clippers, garden hose, sprayers, dusters, and various houseware items.

- Fencing and outdoor living equipment -- includes fencing, slate, flagstones, patio walks, grills, patio furniture, lawn furniture, recreational equipment, slides, pool tables, and pools.

- Power equipment and home equipment -- includes lawnmowers, tillers, seeders, and rollers, and household items like freezers, washers, and dryers.

- Pet and animal feed -- includes dog, cat, and bird food, hay, straw, biologicals, egg cartons, poultry feeders, salt, bird feeders, rodenticides, chemicals, fly sprays, germicides, and soap.

- Specialities -- includes Christmas items such as trees, trimmings, and toys. This group might also include gourmet food lines.

Merchandising

Most managers recognized differences between promoting lawn and garden supplies and promoting farm supplies. For farm supplies, the promotion was more personal, while for lawn and garden supplies, it was more of an impersonal mass appeal. Often a farmer member's purchases were taken for granted because he needed the supplies to make a living, but the promotion of lawn and garden supplies was more aggressive and appealed to a public with unknown ties



Greenhouse and nursery items are often added after lawn and garden centers become established.

to farm supply cooperatives. It was characterized by more advertising and aggressive selling at point of sale.

Special prices and sales were used more often to promote lawn and garden supplies than to promote farm supplies. This was because many suburbanites were less interested in quality than farmers.

The biggest difference between promoting lawn and garden supplies and promoting farm supplies seemed to be the motivation of the patron. Farmers had a practical use for farm supplies in their farming operations; suburbanites had more of a superficial need for lawn and garden supplies to satisfy a personal fancy, increase community status, and the like.

Promotion Programs at Time of Openings

Cooperatives used various programs to inform the public of the opening of their lawn and garden stores. One cooperative used full-page newspaper ads to announce an open house for suburbanites. At the open house, a live radio broadcast was made.

Before the opening, cooperative representatives met with garden club members to announce a contest. Clubs with the most members registering at the cooperative during the first 2 weeks of business were to get prizes. Four prizes were awarded to make participation worthwhile for all the garden clubs.

One cooperative distributed parking lot flyers when it began selling lawn and garden supplies. It, also, added lawn and garden supplies to its farm supply displays at the county fair.

Another cooperative provided sandwiches, coffee, and door prizes at its spring open house. One local distributed the paper of the county farm organization to a mailing list and sponsored radio spots and newspaper advertising to announce its opening.

One cooperative, located in a large shopping center with parking space for 7,000 cars, advertised a week before its opening. It used seven full-page ads in the metropolitan newspapers, plus a series of 70 teaser ads asking, "Who, What, Where?"

This same cooperative also used radio spot announcements and made broadcasts from 1 to 2 p.m. daily for a week before its opening. It sent news releases to the newspapers which carried its advertising and sent to trade journals specially-

prepared press releases, and articles. Nearly 35 manufacturers and distributors sent representatives to the opening.

The cooperative also gave door prizes -- candy for the children, a rose for the ladies, and garden catalogs for all. Suppliers also gave prizes.

Advertising

Media for promotion included radio, newspaper, (metropolitan, small-town, and area shopping newspapers) mailouts, special sales, and displays.

Radio was used by 12 cooperatives regularly during the busy months of April and May. Some sponsored 6 to 8 "spots" or short advertisements a day, most of them in the morning and evening to reach commuters. Many of these short advertisements were used with news and weather reports. Others were straight advertising. One cooperative used a series of twelve 1 1/2-minute spots to open its season. Another used six 30-second advertisements to introduce its program.

Newspaper advertising, the most common form of advertising, was generally used throughout the year, and more intensively in the spring, by 13 cooperatives. Two cooperatives, however, did not use newspaper advertising at all. Reasons given were that it was too difficult to advertise in big-city newspapers; and small-town newspaper circulations made it necessary to advertise in several of them to cover the desired area.

Newspaper advertisements were inserted weekly and daily, usually Thursday and Saturdays. The kind of newspaper ad used most commonly was the two-column, 6-inch ad, once or twice a week. A

full-page ad was sometimes taken at the beginning of the season.

Two cooperatives took full-page ads in area shopping newspapers that were addressed to boxholders.

Newspaper advertising was used to keep the cooperative's name before the public and to promote seasonal supplies and special supplies. One manager, however, was skeptical of the benefits of newspaper advertising because less than 5 percent of the coupons used in some of his advertising were redeemed.

Mailouts -- Thirteen cooperatives used some form of mailout advertising, but in some areas they could not be sent to boxholders because postal regulations required a specific address.

The number of each mailout ranged from 1,400 to 4,000 for several of the cooperatives. Mailouts usually were made from 2 to 6 times a year; however, one cooperative used them only once a year during its busy season. One cooperative sent 19,000 mailouts to occupants of homes five times a year. Three cooperatives used commercial listings and one cooperative sent mailouts only to charge customers.

One cooperative located in the same city as its regional wholesale cooperative used a list of the wholesale's employees and their friends as likely customers for lawn and garden supplies. This list included 3,000 names and effectively increased sales.

Other Promotional Efforts -- Many managers worked with garden clubs and rose societies to promote lawn and garden supplies. One manager gave corn cobs to garden club members for mulches;

another provided space within the cooperative's facilities for club meetings. One manager likened the role of garden clubs in lawn and garden supplies to home demonstration programs in farm supplies, because both were avenues for disseminating information about products.

Another promotion effort was seasonal sales sparked by leader items. At one cooperative, Easter chicks were given as a bonus to children accompanied by parents. But because this idea was only partially successful, the cooperative found itself giving the chicks to other children in its neighborhood.

One cooperative supplied retail employees with uniforms carrying its trade name to advertise its products and location. It also published a lawn and garden handbook for the use of individuals and clubs. At one store, 1,700 of these handbooks were distributed.

A "Lawnmower Day" was sponsored by one association. It gave free oil and allowed big trade-ins for lawnmowers, but this feature was later discontinued because of unsatisfactory results. Another cooperative, to effectively promote equipment sales, demonstrated tillers and mowers at a "power clinic."

A cooperative doing predominantly garden supply business employed a fieldman to sell grass seed, fertilizer, and mulch or cover items to such institutions as schools and highway departments. His efforts substantially increased sales.

Do-it-yourself programs were promoted to build sales for both supplies and services.

At one store, the location of supplies on the floor was changed periodically to

encourage customers to browse the whole store in search of what they needed. The manager believed this practice resulted in additional sales. It may be in conflict, however, with marketing experience showing that customers forget to buy items not in their regular place or that customers become angry when they can't easily find what they are looking for.

Another manager believed floor displays had advantages over shelf displays. Most of his floor space was devoted to mass displays rather than to small displays on shelves.

Two associations speeded up service and spread expert information on lawn and garden supplies by putting an expert

in an information booth part of the time. This was at one of the more important locations in the store and was popular and worthwhile in meeting the needs of the public. It was especially helpful in eliminating checkout counter bottlenecks. Questions were directed to the expert rather than to the checkout personnel.

In their promotion programs, none of the cooperatives made special efforts to tell patrons about the cooperative nature of their lawn and garden store. One association had an information sign asking that patrons leave their names and explaining that patronage records were kept to help distribute net savings at the end of the year.



Neatly arranged displays help in merchandising lawn and garden equipment.

Suppliers' Assistance

The degree to which wholesale cooperatives helped their locals depended upon their acceptance of the lawn and garden program. The same services for farm supply stores, also were available to lawn and garden stores, if adaptable.

Within certain limitations, wholesale cooperatives supported local advertising -- especially in promoting their own products. They provided advertising, mats, display information, mailouts, information kits, catalogs, and helped with displays and store arrangements.

One wholesale cooperative made its specialists in certain lines available to locals and arranged for specialists from manufacturers to present their programs. They also had college professionals speak at garden clubs on such subjects as nursery plants, fertilizers, and chemical programs.

One wholesale cooperative sponsored a fall preview of lawn and garden items and encouraged locals to order them at a 5 to 8 percent preseason discount. Its sponsoring area meetings was considered an especially good practice for promoting exchange of ideas among managers with similar problems.

Another wholesale sponsored Statewide advertising, stressing trademark and speciality items. It sponsored three television shows a year and held meetings for local personnel to introduce new products. Some managers, however, thought these shows were rather ineffective for lawn and garden people. One manager mentioned that inquiries were received from so great a distance that the cooperative was unable to make any commitments.

Another manager said that the television programs of its wholesale cooperative were geared mostly to farmers and that, until lawn and garden volume was increased, the advertising of the wholesale would mean little to the lawn and garden operations.

All the wholesales conducted personnel training programs, and although emphasis was primarily placed on farm supply problems, many techniques of farm supply selling were useful in lawn and garden operations.

As to additional services needed from suppliers, managers thought they might more actively promote lawn and garden supplies. This opinion was expressed especially by locals with low lawn and garden sales volumes. Where locals were doing large volume business of lawn and garden supplies, the wholesale was active in promoting such services.

Managers believed the wholesale should use more promotion gimmicks of the type used by supermarkets to attract customers. For instance, they mentioned giving one free item with the purchase of a regular item.

One manager thought the wholesale should have someone scouting for new items rather than having each manager on the lookout. At the same time, this scout could be conscious of quality control and render important services to the locals.

Managers believed many locals could benefit from the services of an employee training specialist, and that wholesales should provide more specialists because locals could not afford them.

Local member associations of a wholesale cooperative doing little lawn and

garden promotion wanted it to handle a broader line of items and lend more support to lawn and garden promotion. One manager said his wholesale was supplying one line of lawnmowers because of the brand of motor. He thought many sales were lost because customers preferred another well-known motor.

Services Performed

A lawn and garden center may perform many services related to the use, application, or installation of the merchandise it sells. Examples are equipment rental and repair, retail delivery, soil testing, and fence installation.

Equipment Rental

Most cooperatives rented rollers, tillers, spreaders, chain saws, and post-hole diggers.



This garden center of Southern States Cooperative, Richmond, Va. is a big attraction for the green thumbs in the area who find shrubs, seeds, garden equipment, and expert advice all in one place.

Rollers, seeders, and spreaders rented at \$1 to \$2 a day. Mowers rented at \$3.50 to \$7 a day (one store charged \$1.50 an hour). Tillers rented at \$4 to \$15 a day (the cooperative that rented at \$4 said it should charge at least \$10). Chain saws rented at \$10 a day. And post-hole diggers operating from a 12-volt battery rented at \$4 a day.

The cooperatives usually required a small deposit at the time of renting a piece of equipment. One cooperative, however, had lost several items because its deposits were too small. Another cooperative required a deposit near the value of the item rented.

One year's seasonal rentals of an item often equalled its purchase price. The item could then be sold later at a reduced price. Rentals are a service to the customer and stimulate sales. As an example: Fertilizer sales tie in with renting a tiller or spreader. Grass-seed sales tie in with renting a seeder or lawnmower.

Retail Delivery

Delivery service is not new for farm supply cooperatives, but it is a problem if purchases are small. Several managers reported the average purchase of suburban people was under \$5. Free-delivery service for such purchases was uneconomical and consequently many cooperatives charged for delivery of merchandise.

Samples of most common delivery charges and schedules were as follows:

- Fifty-cent minimum charge for quantities up to 400 pounds, with deliveries made on Wednesday and Friday of each week.

- One-dollar minimum charge.

- Free delivery at convenience of the cooperative, except for immediate delivery on big items. It was skeptical of making charges for fear of losing volume because of its particular location.

- Seventy-five cents in the city and \$1.50 for distances up to 5 miles, but free delivery for purchases of more than \$10 in the city and \$25 in the country.

- Fifty-cent charge for purchases under \$25 and free delivery for purchases of \$25 or more. Deliveries were made 3 days a week.

- Twenty cents per hundredweight, with deliveries twice a week.

- No delivery charge for purchases exceeding \$12; \$1 for purchases of from \$5 to \$12; and \$2 for purchases of less than \$5. Two weekly routes were operated.

- Ten cents a bag or item, but no charge if more than a ton is delivered. Two weekly routes were operated.

One cooperative discouraged city deliveries by making a minimum charge of \$1.25. In general, though, managers said delivery service helped keep their associations competitive.

Other Services

Other services lawn and garden stores were offering included fence installation, soil testing, and equipment repair and storage.

The fence installation was usually handled under a subcontract basis. The contractor charged a fee and the cooperative took care of financial settlements.

One association operated a repair center and also provided storage. The manager considered this service good business because it brought people back to the center the following year to pick up their machines. These services were made to stimulate sales and cultivate good customer relations.

Services considered for the future related mostly to landscaping. This field was hardly touched by cooperatives. Managers believed professional assistance and service would increase volume and contribute much to the overall success of their lawn and garden operations. However, if the lawn and garden center had good contacts with professional landscapers, it did not intend to enter this field because this might reduce its sales to landscapers.

Cooperatives with few services planned to add more. One association was considering putting a man on personal home visits such as a farm supply fieldman visits a farmer. Another wanted to put a man on the road to sell to institutions, such as schools and highway departments, to sell grass seed, fertilizer, and other items. Spraying liquid fertilizer on lawns is another service that may be provided.

Open Hours

Selling to suburban people calls for staying open during suburban shopping hours. Ten of the cooperatives in this study were open in the evening. Those that closed in the evening did only a small volume of lawn and garden business. As their volume increased, they planned on lengthening their hours.

Most associations stayed open until 9 p.m. Thursday and Friday. Farm

supply stores previously closing at Saturday noon remained open until late afternoon after they added lawn and garden items. One association stayed open an extra hour Monday through Thursdays, three extra hours on Friday night, and until 5 p.m. on Saturdays.

Only four cooperatives were open on Sunday. Managers said they would not open on Sundays unless competition required it. Of three staying open on Sunday: One's hours were 10 a.m. to 5 p.m.; another's, 9 a.m. to 6 p.m.; and yet another's, 10 a.m. to 4 p.m.

Remaining open for these longer hours was practiced during the busy spring and fall seasons and at Christmastime.

Managers generally advised closing lawn and garden operations during the slack seasons if they represented a small part of the associations' total business.

Credit Policies

Lawn and garden supplies in suburban areas were usually sold for cash. In other areas credit was extended on the same basis as for farm supplies. One association used sales contracts for lawnmowers, freezers, and other major household equipment. Another association had seven different kinds of credit plans, each requiring a credit application:

- Regular charge account with \$100 maximum.
- Revolving charge account (ABC plan like a budget) with \$100 maximum and monthly payments of \$10.
- Deferred payment plan -- used mostly for equipment -- requiring one-third down,

one-third in 60 days, and the balance in another 60 days.

- Installment-purchase plan with a note or mortgage as security.
- Fuel oil budget account with equal monthly payments to cover fuel oil purchases for a year.
- Lay-away plan with item held by store until paid for.
- Home improvement loan through banks for major repairs.

Two suburban associations were considering shopper credit cards. At one association, a maximum of \$25 would be charged with billings made to the institution issuing cards. The association would receive 95 percent of the sale with no recourse by the credit agency for uncollectible amounts in excess of 5 percent. The other association would pay a 7.5 percent charge for credit-card service.

Volume

Nearly all the associations recorded their lawn and garden sales under farm supply categories, therefore, actual volume figures were not always available. However, managers of 11 stores estimated that lawn and garden sales in 1960 ranged from a low of 20 percent, or \$40,000, up to 100 percent or about \$430,000 a year. The median volume was a little over \$200,000. (table 4). As mentioned, seven stores reported sales of about \$70 per square foot of store space.

Lawn and garden sales represented from 20 percent to 100 percent of the retail sales of cooperative stores in this study. A store on Long Island, New York,

Table 4. - *Sales of lawn and garden supplies for 11 stores in Virginia, New York, New Jersey, and Ohio, 1960*

Store code	Sales ¹	Store code	Sales ¹
1	\$76,534	11	\$100,000
3	220,000	12	227,383
4	300,000	13	40,000
5	150,000	14	204,297
7	430,000	Average	205,746
8	400,000	Median	204,300
10	115,000		

¹Sales for 8 stores were estimated because separate records were not maintained for lawn and garden departments.

and one in New Jersey had the highest proportions of such business.

Data indicated how lawn and garden sales fluctuated on a monthly, weekly, and daily basis. In one association, for example, about 34 percent of total annual volume was obtained in April and May, about 19 percent in October, and 2 percent in August. During the peak season, volume in a high week was 2 to 3 times as much as the volume in a low week.

The high volume days of the week generally were Friday, Saturday, and Monday, with the low days usually Tuesday and Wednesday. The following tabulation indicates that volume of the highest days was from 3 1/2 to about 6 1/2 times that of the lowest days:

Store	Percent of weekly volume on:	
	High day	Low day
1	38	6
2	31	5
3	34	10
4	28	8

With a regular labor force, such fluctuations mean excessive burdens on the high days and practically no sales on the low days. Thus, it is difficult to maintain a steady number of full-time employees in lawn and garden operations during both high and low volume seasons. Some associations hired an extra cashier on Saturday to help with the extra lawn and garden volume.

The associations recognized, however, that dual use of labor was an advantage of adding a lawn and garden service to a farm supply operation. For instance, farmers buy heavily during February and March before the spring rush of preparing land for planting. Clear, sunny weather keeps farmers in the fields, but sends suburbanites to lawn and garden centers. Hence, a seasonal decline for farm supplies releases employees to take care of a seasonal increase for lawn and garden supplies.

To overcome seasonal declines in volume, some managers were considering adding new lines, such as at Christmas-time when lawn and garden sales are low. One cooperative had contracts to build institutional displays since it was the only source for Christmas decorations and trees in the city. It also did contract work on wreaths and hall decorations for churches and civic organizations. These sidelines kept employees busy for at least an additional 6 weeks of the year.

In some cases, peak volumes created floor-space problems. Managers believed new locations were the solution, although they recognized that a new building for seasons of high volume might result in too much floor space in seasons of low volume.

Gross Margins

Managers reported higher gross margins per dollar of sales usually were realized on items sold to suburban people than for like items sold to farmers. They justified such margins because of size of package and purchase, seasonality of volume, higher ratio of salesmen's time to sales value, and obsolescence

Because so few associations had gross margin data on specific lawn and garden items, averages would be meaningless. Some associations, however, had started to keep more detailed records reflecting sales, gross margins, and inventory turn-overs for major categories of lawn and garden commodities.

Ranges in gross margins reported for major groupings are indicated in the following tabulation:

<u>Item</u>	<u>Gross margin as a percentage of sales</u>
Fertilizer	15 to 35
Seed	15 to 22
Hardware	24 to 35
Equipment	18 to 25

Data were not obtained on gross margins realized on these commodities when they were sold in larger quantities primarily to farmers.

As mentioned, gross margins of 25 percent at seven stores would amount to about \$17.50 per square foot of store space.

As the sale of lawn and garden items becomes a bigger proportion of total sales, gross margins per dollar of lawn and garden items increase. Apparently, when lawn and garden business is small, management is not aware of the margin

needed to cover higher costs and related services.

Sales and Wage Ratios of Garden Supply Stores in U.S.

The U. S. Department of Commerce, in its 1958 Census of Business, provided limited information on 2,527 retail garden supply stores, primarily selling grass and flower seeds, bulbs, nursery stock, garden tools, and other farm and garden supplies. Nurseries and greenhouses were not included. Data were provided on number of establishments, sales, and payroll by employment size of establishment (table 5).

The Census report covered stores with up to 99 employees. Only 11 percent of all stores had more than 5 employees and only two stores had 50 or more employees. Of 2,527 stores operating the entire year, 956 were operated solely by their proprietors on November 15th of that year. More than 50 percent of all stores were in the proprietor-plus-one-employee class.

Average sales in 1958 for stores with no paid employees on November 15th were \$15,945 -- indicative of many low-volume stores. Sales per year for stores with 1 employee averaged about \$38,000, while those with 4 or 5 employees averaged over \$121,000.

Sales per employee averaged about \$25,000 in each of the four categories of stores having from 1 to 5 employees. Those with more employees averaged between \$27,500 and \$28,200 a year.

Wages averaged from \$2,560 to \$2,920 for each employee in the stores with 1 to 5 employees and about \$3,100 for those

Table 5. - *Selected data for garden stores, operated an entire year, United States, 1958*¹

Employment size of establishment as of November 15 ²	Number of establishments ²	Average sales			Average annual wages per employee
		Per year	Per employee	Per dollar of wages	
No paid employees ³	956	\$14,945	-	-	-
1 paid employee	410	37,915	\$37,915	\$12.98	\$2,922
2 paid employees	396	50,626	25,313	9.90	2,557
3 paid employees	269	75,413	25,138	9.08	2,768
4 or 5 paid employees	223	121,295	24,545	9.54	2,574
Total--1 to 5 paid employees	1,298	63,889	26,656	10.00	2,666
6 to 9 paid employees	240	250,112	28,208	9.11	3,098
20 to 99 paid employees	33	784,364	27,565	8.94	3,084
All establishments	2,527	72,468	29,642	10.27	2,887

¹1958 Census of Business, Retail Trade, BC 58-RS 2, Employment Size, U.S. Washington, D.C. 1961 p. 3-33.

²Establishments refer to individual locations of business rather than to companies or firms.

³None hired on November 15, hence were operated by proprietors.

with a larger number of personnel. No indication was given that all employees were employed full time.

Sales per dollar of wages is often considered a satisfactory measure of labor efficiency. In stores with one employee, each dollar of payroll accounted for about \$13 of sales. This does not mean, however, that the first employee always has a higher ratio of sales to wages; consideration must be given to

sales made by proprietors who were active in the operations of most of the stores. For stores with 2 to 5 employees, sales per dollar of wages averaged from \$9 to \$9.90, and stores with a much larger number of employees had sales of around \$9 per \$1 of wages.

These data should assist cooperatives in appraising their lawn and garden operations.

Cooperative Aspects and Objectives

Farmer cooperatives are faced with special problems in operating lawn and garden stores, especially if they are selling mainly to suburban patrons. These problems pertain to membership eligibility; distribution of patronage refunds; status as a farmer cooperative, including eligibility for loans from district Banks for Cooperatives; and maintaining exemption from Federal income taxes.

Present Cooperative Practices

All the cooperatives in the study limited membership and voting rights to producers of agricultural products. Five required nonproducer patrons to own a share of nonvoting capital stock to receive cash patronage refunds.

In six associations lawn and garden patrons will receive patronage refunds when net margins are realized. Three believed they would soon be able to make such refunds. In some cases, net margins were not sufficient on farm supply, lawn and garden, and marketing operations to pay refunds on any phase of the business.

Nine associations reported no provisions for paying patronage refunds to lawn and garden patrons. Some of these associations did not keep patronage records on this type of business because they no longer held letters exempting them from payment of Federal income taxes, and thus were not required to declare refunds to all patrons.

Included in this group were three specialized lawn and garden centers that operated as subsidiaries of a large regional cooperative. These served suburban and urban patrons and were set up as profit-making enterprises for the benefit of the entire farmer membership of the regional association. Another objective was to increase the wholesale's volume and buying power for numerous items used by both farm and nonfarm patrons.

As mentioned, lawn and garden operations of the cooperatives in this study were in various stages of development; they assumed wide variations in importance among the associations; and they were experiencing varied degrees of success.

In some associations lawn and garden business has been a natural result of a gradual decline in farming and an expansion in urban development, and no special effort was made to seek new volume. Others in a similar situation

made concerted efforts to build lawn and garden volume to help maintain or increase total volume and net savings for active farmer-members remaining in the area or for their total farmer membership located in a large region.

Managers and directors of some associations, therefore, are uncertain as to the future place or importance of lawn and garden operations in their associations. They have not established long-range objectives and plans with regard to such operations.

Alternative Plans and Policies in Handling Lawn and Garden Supplies

The principal objective of most farm supply cooperatives in adding lawn and garden items is to help maintain efficient farm supply services in a declining agricultural area until little or no farming remains. They may consider the following three alternative plans to determine how extensively this type of business should be developed. These plans vary with the way directors and managers regard the future role of cooperatives in serving farm and city patrons. In each alternative, variations in policies for membership and payment of patronage refunds may be adopted. And these plans may be reconsidered as conditions change.

1. Operate a lawn and garden service until the farm supply cooperative relocates, merges with another cooperative in a rural area, or liquidates.

Under this plan, lawn and garden supplies are added to make better use of existing facilities and personnel. It is largely a holding operation and no major effort is made to develop an extensive lawn and garden business especially at a more favorable location.

Nonfarmers probably would not become voting members nor receive patronage refunds. Some associations, however, might wish to issue associate memberships and declare patronage refunds to all suburban patrons; or they might want to treat only regular suburban patrons making substantial annual purchases in this manner.

In addition to helping the farm supply operation, this program also could benefit suburban patrons through savings, quality, or service, and develop among them a better understanding of cooperatives and farm problems.

2. Operate and expand lawn and garden services and gradually transfer ownership of the farm supply cooperative to suburban patrons.

Under this plan, lawn and garden business is added to make better use of existing facilities and personnel, but efforts are made to increase lawn and garden sales and obtain good facilities at the best location. At first, associate memberships and patronage refunds might be issued to suburban patrons. Then, after sales to nonfarmers exceed those to farmers, the association could re-incorporate under a broader cooperative State statute and make membership and voting rights available to suburban patrons.

This plan would permit the gradual transfer of capital equities of a declining number of farmer members to an increasing number of suburban members, and should result in larger volumes for the affiliated wholesale cooperative that provides lawn and garden supplies. Also, the plan provides time to gradually develop a suburban cooperative and to inform suburban patrons about cooperatives and how they operate.

The plan should result in better public relations for farmer cooperatives in general. With farmers becoming a smaller proportion of the total population, they are increasingly dependent upon suburbanites and city people who understand agricultural problems and the role cooperatives play in helping solve them.

3. Operate a full-fledged lawn and garden store in suburban areas for the benefit of farmer members located in other areas of the cooperative.

This plan could be used by a local retail farm supply cooperative that operates several branches, or by a regional wholesale association interested in developing local retail affiliates, or branches that handle supplies and equipment used for lawns, gardens, homes, and farms. Lawn and garden business would help maintain farm supply services of an existing cooperative as long as any farmers remained in the area, and at the same time major efforts would be made to develop suburban volume.

Ownership of the lawn and garden store, however, would be restricted to the farm supply cooperative and all earnings from the lawn and garden business would accrue to its farmer-owners located in other areas.

Such a program should result in a larger volume of many supply and equipment items handled on a small scale by farm supply cooperatives. This additional volume should enable the retail cooperative or its wholesale association to purchase more effectively, to reduce per unit overhead costs, and to perform more advertising and other services. Furthermore, if successful, these suburban stores also would provide an avenue for farmer cooperatives to conduct informational and

public relations activities among suburban and city people.

Because this initial report covers only a limited number of lawn and garden operations, and these were relatively new, no conclusions as to these three alternative plans are included. Perhaps developments along all three lines will occur, depending upon individual conditions and the philosophies and desires of the leaders of each association.

In considering the manner and extent to develop lawn and garden business, farm supply cooperatives should consider how it might affect their status as a farmer cooperative, their income tax position, and their handling of patronage refunds.

Status as a Farmer Cooperative

Under most State and Federal laws and the requirements of the district banks

for cooperatives, a farmer cooperative must meet the following minimum legal requirements: (1) Substantially all of its members entitled to a vote must be producers of agricultural products, or substantially all of the voting stock must be held by such producers; (2) not more than 50 percent of its business can be done with nonmembers; and (3) either voting must be limited to one vote per member, or dividends on capital stock must be limited to 8 percent per annum. It can be incorporated under either a cooperative or general corporation act unless the laws of a State provide otherwise.

A farmer cooperative in an expanding suburban area, therefore, could do up to 50 percent of its business with urban non-member patrons if it met the other qualifications. While this might permit a local farmer cooperative to expand its lawn and garden volume, such actions by several locals would make it difficult for



This is an example of efficient layout by Richmond, Virginia's Southern States Cooperative which stresses good planning and easy-to-find location.

their regional wholesale cooperative to qualify as a farmer cooperative if the State law under which it is incorporated prohibits or restricts nonmember or non-producer business to less than 50 percent of the total.

Income Tax Status

The desire of a farmer cooperative to maintain its Federal income tax exempt status may be important in determining the extent to which it expands lawn and garden business. Furthermore, most State income tax laws and regulations pertaining to cooperatives closely follow those of the Federal government.¹

Exempt associations under Federal laws cannot do more than 50 percent of their total supply business with nonmember producers and not more than 15 percent with patrons who are neither members nor producers. The annual amount of suburban lawn and garden business an exempt cooperative can handle thus will depend on its total supply volume and the proportion done with producers of farm products. A larger cooperative with several rural farm supply branches often could do a large lawn and garden business at one suburban branch store without changing its status.

Each association will need to weigh the advantages of doing a volume of non-producer supply business in excess of 15 percent against disadvantages of losing its income tax exempt status. In many cases, cooperatives may find it desirable to operate on a nonexempt basis because of the difficulty and cost of maintaining complete records on every patron. A lawn and garden store usually has a

large number of patrons, many of whom make small or occasional purchases. In other cooperatives, the amount of income taxes they would incur in providing funds for paying dividends in capital stock might make it inadvisable to operate on a non-exempt basis.

Patronage Refund Records

Keeping records of patrons' purchases of farm supplies and lawn and garden items, and patronage refunds on them is detailed and costly. This is true whether or not the cooperative meets requirements for Federal income tax exemption.

It becomes much more difficult with increasingly large numbers of suburban patrons. Many call at a store only a few times a year contrasted with numerous calls made each year by farmers. Thus it is difficult for employees to learn the names of suburban patrons. They must be asked each time to identify themselves by name and address.

There also is the time required to record the names and addresses or identification number and the purchases of patrons. Handling 400 to 700 suburban patrons on a busy day could result in a bottleneck at the checkout counters. Furthermore, suburban patrons may not want to be bothered with such records. They may not be familiar with the cooperative or interested in learning about it, and may believe that their patronage refunds would be too small to justify the extra time required. Such problems also may occur if the cooperative restricts patronage refunds only to members or to regular patrons -- whether a member or not.

The work and time, however, might be reduced by adopting either of two

¹Some States, however, have requirements with regard to nonproducer business that vary from those in Federal laws and regulations.

methods used in food store cooperatives. One is to assign a number to each member or regular patron. This number is recorded on the cash register slip as each purchase is made and is then deposited at the store. The slips are totaled for each patron periodically and annually by the association.

The other method is to have patrons keep their own cash register receipts and total them up and return them to the association at the end of each fiscal year. This plan results in a smaller amount of patronage-refund accounting

for the cooperative. By using this plan, a large successful consumer cooperative in the East has been able to get patrons to return tickets representing about two-thirds of its annual sales.

In addition to keeping patronage records, cooperatives have to compute patronage refunds for each patron. If more than one rate is declared, based on different types of supplies, and if a revolving capital plan of financing is used, considerable work is entailed each year.

Observations and Suggestions

This study indicates that many farm supply cooperatives serving areas around large cities must decide whether or not to handle lawn and garden supplies to replace a declining volume of farm supplies.

Some may not be interested if, when supply volume becomes inadequate, they can make arrangements to serve their remaining farmers from nearby branches or from other cooperatives. Others may discontinue operations rather than take on nonfarmer business. Many associations, however, may decide to handle lawn and garden supplies on a limited basis in their present remodeled facilities, and some may establish full-fledged stores in modern facilities at new suburban locations.

Opportunities for Lawn and Garden Services

Farm supply cooperatives are in a natural and strong position to sell lawn and garden supplies to suburbanites for the following reasons:

1. Cooperatives already provide many of the needs of suburban people -- such as fertilizer, seeds, chemicals, hardware, and equipment for farms and gardens.

2. Suburban people recognize farmer cooperatives as agricultural specialists. One large association refers to this as its farm heritage. Part of this recognition arises from the farm backgrounds of many suburbanites. Some are part-time or retired farmers, many were raised on a farm.

3. Cooperatives can begin serving suburban needs with little change in personnel and facilities. More and more supplies are going direct to farmers from wholesalers and manufacturers, thus making local warehouse and retail space and personnel available for other uses.

4. Most farm supply cooperatives have a strong wholesale cooperative to insure a source of quality merchandise. These wholesales could purchase lawn and garden supplies need by suburbanities. Also, they could help with

merchandising, advertising, facility layout, personnel recruitment, training, and technical product information.

Advantages of Lawn and Garden Operations

This study indicated that lawn and garden supplies offered the following advantages to farm supply cooperatives in the East:

1. Volume of the cooperative was maintained and overall operating costs were kept at reasonable levels.

2. Farm supply services could be provided to a declining number of farmers in an area for a longer time than otherwise would be possible.

In one area, the manager said that the lawn and garden supplies were keeping the association operating even though only three full-time farmers supported it. In another area, feed sales had declined from 15,000 tons to 6,000 tons in one year; and indications were that soon this area would have almost no feed sales. At another association, selling lawn and garden supplies brought in additional patrons and expanded the sale of tires, paints, and white goods.

3. Additional net savings from wholesale cooperatives may be realized due to increased volume through their fertilizer, seed, and chemical plants, and greater purchasing power for other supplies used by both farm and suburban patrons.

4. Net savings can be realized by both farm and suburban patrons in the area if the farm supply association distributes patronage refunds to all patrons.

The associations in this study had not operated lawn and garden stores long enough to set up complete accounting records to determine net margins. Most managers said that total gross margins on lawn and garden and farm supplies would increase as much as 10 percent with a fair increase of lawn and garden sales. No estimates were available, however, of the increase in expenses for such merchandising.

5. Lawn and garden stores provide an avenue to inform suburban and city people about farmer cooperatives and to improve public relations. Many farm leaders believe it is in the best interest of agriculture to have town and city people with a clear understanding of agriculture's problems and of the place cooperatives have in helping farmers operate more efficiently.

As mentioned, lawn and garden stores also had daily operating problems. These were seasonality of volume and its effects on manpower and floor space, lack of cooperative wholesale sources of supplies, employees' lack of product knowledge, inadequate records, and the need for a more satisfactory method of determining market potentials.

Suggestions for Operating Lawn and Garden Stores

For farm supply cooperatives interested in adding or expanding lawn and garden operations, the following suggestions are offered:

- Make a market analysis to determine potential volume, including type and quality of items to handle and a promising location for a store.

Market potential is a key factor in making successful lawn and garden plans. This applies especially to a cooperative that is not well located, that wants to make a determined start in lawn and garden service, or requires a new location or a branch location.

Making a market analysis is determining what and how much of a specified item a consumer, whether rural or suburban, has purchased or expects to purchase in a given period.

While market analysis may be new to some associations, regional farmer cooperatives have already used it to assess market potentials for feed, fertilizer, petroleum, and other farm supplies. A few regional cooperatives have determined their share of a given market potential by using panels of selected farmers who maintain records of expenditures and report periodically on quantities, brands, and the like. A similar approach has been followed in suburban market analysis.

In assessing the probable extent of competition in lawn and garden business, consider all firms that are likely to enter the field -- drug, hardware, and grocery stores, and roadside stands -- and assign a realistic share of the market to each.

The plan one regional cooperative used in analyzing its local stores and determining their potential for lawn and garden business is of interest. It classified its affiliated retail-service stores (those now handling feed, seed, fertilizer, and general supplies) into two groups. One group consisted of those that eventually could establish fairly complete lawn and garden stores including living plants. The other group consisted of those that are likely to continue handling farm pro-

duction supplies and some lawn and garden items, but not living plants.

When a store's volume becomes 33 percent lawn and garden business, the regional initiates a study in cooperation with local management to determine the potential for a full-fledged "home and garden" store. Home items in this case refers to white goods such as refrigerators and stoves. When the lawn and garden business reaches 50 percent of the total volume, the regional association will then offer to buy the service store and operate it along with others as a subsidiary organization.

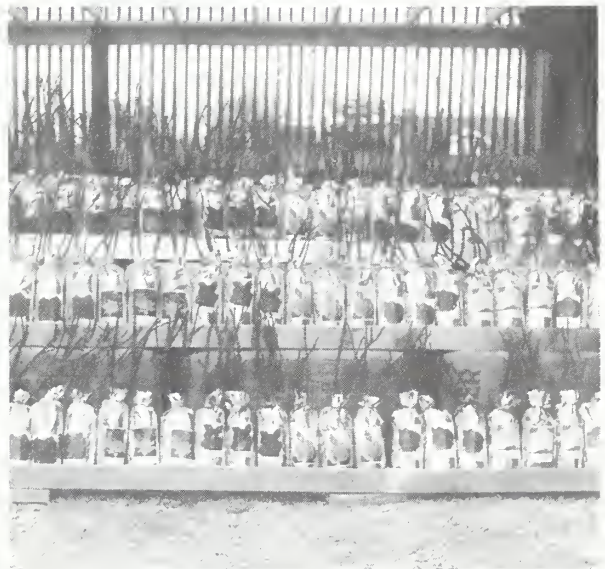
- Establish objectives for lawn and garden operations and periodically evaluate them in light of changing conditions.

It appears that many farm supply cooperatives could successfully handle such supplies under any of the three plans discussed in this report. Each association, however, should study the plan most suitable to its situation and trade area, and determine the plan its leaders would give strong and sustained support.

- Employ specialized management and other personnel and train them well.

A full-fledged lawn and garden store handles many small items that are priced and merchandised differently from regular farm supplies. Personnel need a knowledge of these products to purchase wisely and sell effectively.

- Begin operations with supplies and equipment such as seed and fertilizers that are used by both farm and suburban patrons. Then other items may gradually be added, based on market potentials and opportunities.



These three pictures of Marion County Farm Cooperative Association, Marion, Ohio, show how management began with a good location and attractive store front, then went to well-arranged nursery items and garden equipment, and ended up with neatly-arranged and easy-to-find displays. It's sound planning that counts from the overall picture down to the small details in a successful lawn and garden store.

Outdoor living equipment and nursery and greenhouse stock are items that are frequently added. Use caution, however, in adding the latter until well-trained personnel can be employed to handle them. With limited space, gross margin per square foot may be one of the determining factors. Some associations eventually may want to broaden their commodity base by operating home, lawn and garden centers.

Two quality lines of merchandise may be desirable -- a high quality or top line, and a lower quality or promotional line. Several managers believed that a nationally advertised brand as well as a cooperative brand of many items should be carried to answer the requests of a large suburban market.

- Select dependable, helpful wholesale sources of supply.

Regional wholesale cooperatives owned by local cooperatives can be of great help when initiating lawn and garden operations. They can provide specialists to advise and direct operations and to eliminate problems other locals have solved through trial and error. They can provide many supplies needed for starting a lawn and garden store and can add others to meet the needs of their local affiliates.

Wholesale cooperatives should provide supplies in consumer-size packages and make deliveries to meet the needs of fast-moving retail stores. These cooperatives can use their existing national purchasing and manufacturing cooperatives for obtaining, manufacturing, packaging, and advertising many lawn and garden supplies.

Regional cooperatives can provide purchasing specialists to study the large

number of items on the market and to select those with consumer appeal and those that can be sold at competitive prices and good markups. They can also look for items that can be priced as sales leaders to build up store traffic.

Wholesale cooperatives can provide technical leadership in the following areas:

- (1) Correlated merchandising programs in advertising, promotion, sales aids, and sales training;
- (2) commodity information to local store personnel;
- and (3) employee training for retail stores.

- Locate facilities for a full-fledged lawn and garden center near the homeowner market in easy-to-find locations.

Many cooperatives, after a few years of expanding lawn and garden volume at a farm supply location, will need a better location if they are to grow. In choosing a location they should consider the direction suburbs are likely to spread, market potential, extent of competition, traffic flow, and parking facilities.

Some managers preferred a location in a business shopping center. Full-fledged lawn and garden centers within reach of many buyers can be expected to have more volume than a location that offers a limited supply of lawn and garden items. A branch location may be a wise choice in some cases because it enables the present location to serve its existing lawn and garden patrons while the branch location develops patrons in its area.

Renting facilities at first may be a good idea because a location can be tested for its market potential and no large outlay of capital is needed.

- Provide attractive and serviceable buildings, equipment and grounds.

The store or center should be clean, neat, and conveniently arranged. Some self-service should be available. The store should be well identified, have ample parking space, and have plenty of room for expansion.

- Adopt a specialized concept of merchandising.

Merchandising lawn and garden items to suburban patrons is different from merchandising supplies to farmers. A farm supply association is primarily concerned with supplies that provide the best farming results.

To do this, the farm supply association attempts to operate at margins that cover cost, result in reasonable net savings, and provide equitable treatment to patrons.

In handling lawn and garden supplies the cooperative must use various merchandising methods that influence suburban patrons needs more than those of farmers. Often, however, influencing these needs may receive more attention than creating new needs that result in maximum volume.

For stores with ample space, items that build traffic or volume are important. Return trips for feed, for example, often result in additional sales and encourage an association to use mass or spot displays, suggestive selling, and many forms of advertising in its merchandising programs.

Advertising for the mass market is essential for adequate volume. Attractive displays, wide use of point-of-purchase

materials, use of sales leaders, and flexibility in meeting seasonal needs are also essential for adequate volume.

- Carefully plan ways to use facilities and personnel during slack-volume seasons.

Household equipment and hardware items used by suburban people can provide substantial volume during slack seasons in lawn and garden supplies. The opportunities for successfully handling this type of merchandise, of course, would vary among stores. Also transferring lawn and garden personnel to other operations during slack seasons, will depend on the extent of farm supply and home-heating fuel business a cooperative handles.

- Provide related lawn and garden supply services.

Renting lawn, garden, and home-repair equipment helps attract patrons and sell supplies. Repairing mowers and other equipment may also be beneficial.

Advising patrons on the selection, use, or application of supplies is perhaps the most valuable type of service to be provided.

- Establish the lawn and garden store as a department as long as a substantial amount of farm supplies is handled.

Management will have specific responsibilities under such a plan and separate accounting records will make it possible to know periodically exact sales, expenses, and margins to maintain better control of inventories. Some employees still can be used in both lawn and garden and farm supply departments.

- Follow approved operating practices.

Adjust store hours to the seasonal needs of patrons. Provide adequate part-time help for hours of peak business. Watch inventories carefully. Price supplies to realize margins and in line with consumers' willingness to buy. Sell most items for cash but provide credit plans for large equipment.

- Consider developing a national cooperative trade name or brand for lawn and garden merchandise.

This should be undertaken by the regional wholesale cooperatives and their

national purchasing cooperatives. It should centralize procurement and assure quality, service, and price. A national name makes advertising more effective because locals can benefit from national advertising on television, radio, and in magazines and newspapers. Eventually a brand name could be developed that would be familiar to many householders. Developing a trade name, while helpful for locals engaged in the lawn and garden business, would be especially helpful to locals just entering the lawn and garden business.

Other FCS Publications Available

Farmers Buy Supplies Cooperatively, Bulletin Reprint 3. J. Warren Mather.

Credit Control in Selected Retail Farm Supply Cooperatives, Area VI, New York, New Jersey, Virginia, West Virginia, North Carolina, and Georgia, General Report 71. John M. Bailey.

Inventory Management by Selected Retail Farm Supply Co-ops, Area VI, New York, New Jersey, Virginia, West Virginia, North Carolina, and Georgia, General Report 70. John M. Bailey.

Using Your Farm Supply Co-op, Educational Circular 6. J. Warren Mather and Martin A. Abrahamsen.

Methods of Financing Farmer Cooperatives, General Report 32. H. H. Hulbert, Nelda Griffin, and K. B. Gardner.

Management Training Among Farmer Cooperatives, General Report 65. David Volkin and Nelda Griffin.

Employee Incentive Plans in Farmer Cooperatives, 1957, General Report 62. Nelda Griffin.

Statistics of Farmer Cooperatives, 1959-1960, General Report 103. Anne L. Gessner.

A copy of each of these publications may be obtained upon request while a supply is available from --

Information Division
Farmer Cooperative Service
U. S. Department of Agriculture
Washington 25, D. C.



