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# Agricultural Cooperatives: Pioneer to Modern



STA/STA

FARMER COOPERATIVES IN THE UNITED STATES  
COOPERATIVE INFORMATION REPORT 1  
SECTION 2

UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL COOPERATIVE SERVICE



*COVER: Load of cotton arrives at early-day gin. The first known Farmers' operated cotton gin was put into operation in 1887 at Wagner, Tex.*

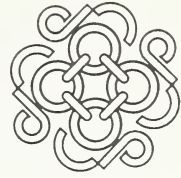
# Contents

	<i>Page</i>
Farmers experiment with the idea, 1810-70.....	2
Encouragement by general farm organizations, 1870-90....	4
Enter the Grange.....	4
The Farmers Alliance.....	6
Status at end of period.....	6
Many cooperatives organized, 1890-1920.....	6
The Farmers Union.....	7
The American Society of Equity.....	9
Many regionals formed.....	10
Other developments.....	11
Commodity marketing and supply purchasing firmly established, 1920-33.....	12
The Farm Bureau.....	14
Farmers Union cooperatives organized.....	14
Other cooperatives appear.....	16
Legislative benchmarks.....	16
Business performance emphasized, 1933-45.....	17
Financing agencies organized.....	18
Research and educational assistance provided.....	18
Processing expanded.....	19
Modern business methods stressed.....	22
Adjustments to change, 1945-76.....	24
Integration intensifies.....	24
Consolidations and mergers increase.....	26
Bargaining emphasis expands.....	33
Foreign markets explored.....	34
Education and research expands.....	36
Financial structures broaden.....	37
Employee and director training improves.....	38
Facilities and equipment modernized.....	39
Broader services added.....	40
A period of growth and service.....	41

*Grain arrives at the local elevator in a scene a few years after the turn of the century, just as automobiles were taking their place along main street. However, the first farmer cooperative elevator probably had been operating nearly a half-century when this picture was taken. The Dane County Farmers Protective Union in Madison, Wis., opened its doors in 1857.*



# Agricultural Cooperatives: Pioneer to Modern



Many factors have contributed to the development of farmer cooperatives in the United States during the past century and a half. On a trial and error basis, various types of cooperatives have come into being. They have ranged in scope from local to large-scale national organizations. Such factors as the understanding, dedication, and competency of cooperative leaders; legislative developments; and the support and encouragement of public agencies—both State and Federal—have made important contributions to cooperative growth.

Various forces have contributed to cooperative development from pioneer days to the present. Significant contributions have been made by various types of national organizations, either organized by cooperatives or operating as general farm organizations and cooperative trade associations. All have actively encouraged cooperatives in their efforts to improve operating performance. As a result, cooperatives have achieved basic objectives, including realization to varying degrees of benefits members sought through the establishment and operations of their own business firms.

Farmer cooperation in North America dates to colonial days. Farmers helped each other to clear land, erect buildings, and construct roads.

As early as the 1780's, farmers organized societies to import purebred cattle, and later they joined in community drives of livestock to the eastern coastal cities. Early agricultural history was picturesque with husking bees, threshing rings, bull and stallion rings, cheese rings, and other forms of group activity. But they grew out of necessity and inventiveness.

As farmers began to produce more products than they could consume, they looked to cooperatives to find a market for them. They also used cooperatives to purchase supplies needed for production. The earliest business efforts were informal, with neighbors pooling orders for a quantity of supplies. Farmers also



got together to obtain needed services—for example, insurance protection against fire and wind.

As more and more farmers participated in such buying, marketing, and service activities, they put cooperation on a continuing business basis. Formal cooperatives incorporated, employed managers, and acquired facilities.

Development of agricultural cooperatives is a story of the farmer's never-ending efforts to better his lot. For 150 years, he has been learning how to cooperate with his neighbors to their mutual advantage in obtaining services related to farming and farm living.

Farmers have experienced many failures in such efforts. However, through trial and error, sound principles and techniques have evolved.

The history of cooperative activities by U.S. farmers divides logically into six periods. Each was molded by leaders emerging from a constantly increasing number of progressive farmers. Current economic conditions, legal concepts, adjustments in agriculture, changing economic conditions, and the impacts of worldwide social, economic, and political forces influenced each of these periods.

The first period, beginning shortly after 1800 and ending about 1870, was one of experimentation. The second, from 1870 to about 1890, centered on early encouragement by general farm organizations. The third, from 1890 to 1920, saw the rapid organization of business cooperatives. The fourth from 1920 to 1933 was characterized as orderly commodity marketing. The fifth from 1933 to 1945 may be described as one emphasizing sound business principles. Finally, the sixth period, from 1945 to the present, is characterized by adjustments to profound national and international events affecting agriculture. This last period is marked by growth, diversification, integration, consolidation, and modernization of organizational structure and operating practices.

## **Farmers Experiment With the Idea, 1810-70**

The first period was one of searching for self-help methods and for techniques farmers might use to solve some of their economic problems.

Farmer cooperative business organizations had their beginnings in detached groups scattered throughout the Northeast, the Cotton Belt, the Upper Mississippi Valley, and the Far West.

Early efforts at "associated or cooperative dairying" were attempted at Goshen, Conn., about 1810. Several cooperative cheese and butter factories were established in New York and

*Although the first dairy cooperative was organized at Goshen, Conn., in 1810, dairy products didn't begin to move commercially to any extent until after 1850.*



other States by 1860. More than 400 cooperatives in the country were processing dairy products by 1867.

Grain and livestock farmers also became interested in cooperative marketing. In 1857, Wisconsin farmers formed the Dane County Farmer's Protective Union and erected a grain elevator at Madison. Some 10 years later, farmers in Illinois organized two grain marketing associations. Old records indicate that farmers in Bureau County, Ill., developed a cooperative hog auction about 1860.

Farmers' clubs, organized in Illinois and Wisconsin in the 1850's, attempted to purchase production supplies. A farmers' purchasing association was organized in 1863 at Riverhead, N.Y., to buy fertilizer for its members.

The first association for the cooperative marketing of fruit was formed at Hammonton, N.J., in 1867. It expanded in 1884 to include cooperative purchasing. In general, the various early cooperative business ventures blazed new trails and then disappeared.

In 1865, Michigan passed what is believed to be the first law recognizing the cooperative method for buying and selling. Some years earlier, the New York legislature had provided for cooperative mutual insurance companies.

## **Encouragement by General Farm Organizations, 1870-90**

Two general farm organizations, the Grange and the Farmers Alliance, made important contributions in introducing cooperatives into the principal agricultural areas of the Nation.

### **Enter the Grange**

The Grange, known officially as "The Order of Patrons of Husbandry," was founded in 1867. Oliver Hudson Kelley, an employee of the U.S. Department of Agriculture, was active in its formation. Largely because of pressure from its local Granges to deal with the economic problems of members, the Grange soon turned its attention to cooperatives. Cooperative marketing was emphasized in some States, cooperative buying in others, and both marketing and buying in still others.

Early Granges assembled farmer-members' orders and placed them with dealers who shipped carloads of supplies direct to farmers. Price concessions were obtained from suppliers for performing these services. In 1871-76, more than 20,000 local Granges, as well as some 26 State agency systems, were established. County Granges in many cases acted as business enterprises for members of the local units.

In 1874, the National Grange sent a representative to Europe to gather information about cooperation. As a result, the Grange began to sponsor the organization of business cooperatives.

An early writer on cooperation said:

“The great contribution of the National Grange was the formulation and distribution in 1875 of a set of rules for the organization of cooperative stores. These rules were based on those of 28 weavers of Rochdale...” (The Rochdale Equitable Pioneers Society, organized in 1844, was the first consumer cooperative in Rochdale, England.)

Many cooperative Grange stores were organized in Michigan, Maine, New York, Kansas, Texas, and California. They sold groceries and clothing as well as general farm supplies, hardware, and agricultural implements. These were more successful than the earlier Grange organizations that sold goods below going prices or distributed savings on the basis of stockholdings.

Grangers in the South concentrated on marketing cotton. State organizations in Alabama and Mississippi selected established cotton firms and put them under bond. The Alabama Grange had an agency in New York City to handle cotton on consignment, and the Mississippi Grange had its own representative in Liverpool. Granges in these States also leased warehouses for receiving, grading, and financing cotton. In Georgia, Louisiana, and Arkansas, Granges established agencies for handling members' cotton in large lots. A separate cooperative was formed in Texas to handle cotton on commission.

Forty Grange cooperatives in Iowa were operating elevators by 1871. Kentucky Grangers sponsored warehouses for receiving and handling tobacco. Those in California launched a large program for cooperative marketing and purchasing. In the 1870's, the California State Grange exported wheat. Later, its business association handled wool and farm products of all kinds on both a direct purchase and a commission basis. Orders also were solicited for general merchandise, groceries, and farm implements. Grange banks were established in Kansas and California; and an ill-fated manufacture of farm machinery was undertaken in Iowa.

As the country recovered from the depression of the 1870's, fewer Granges were organized and many cooperatives went out of existence. But the impetus given by the Grange to farmer cooperation lasted well into the 20th century. In fact, as its name indicated, the Cooperative Grange League Federation Exchange, Ithaca, N.Y., (now known as Agway, Inc.) had Grange anteced-

ents, as did the Grange wholesale associations in several western States.

An important contribution of the Grange was its demonstration that the Rochdale type of cooperative, which handled goods at prevailing prices and distributed net savings according to patronage, offered the most promising basis for sound cooperative efforts.

### **The Farmers Alliance**

After the decline of the Grange, the Farmers Alliance sprang up in several areas; and later the locals united and spread over the whole South. Efforts of the Alliance in cooperative business enterprises were similar to those of the Grange. Their beginnings date to the latter 1880's.

One of the most significant Alliance efforts was the Florida Fruit Exchange, Jacksonville. It employed State purchasing agents to handle bulk shipments of twine, fertilizer, feeds, and seeds. It started a number of cooperative stores and grain elevators.

Joining the Alliance during this period were the Agricultural Wheel in Arkansas and the Northwestern Alliance in Illinois.

### **Status at End of Period**

During the 1880's, many farmers unaffiliated with general farm organizations also formed marketing cooperatives. Associations to sell fruit were formed in Delaware, New York, California, and Florida. Others for marketing livestock, wool, tobacco, walnuts, and dairy products came into the picture. By 1890, there were some 1,000 active cooperatives. Of these, 75 percent handled dairy products; 10 percent, grain; and more than 10 percent, fruit and vegetables. The words "growers protective union" appeared in the names of a number of these cooperatives. This terminology reflected the basic concern of some for economic survival.

## **Many Cooperatives Organized, 1890-1920**

In its third period of development, agricultural cooperation firmly established itself as a part of the economic system for farmers. This period spans the three decades from 1890 to 1920, during which local cooperatives formed in nearly all States.

By the end of this period, the number of active cooperatives was estimated at more than 14,000. Marketing associations were approaching an alltime peak of more than 12,000, and production supply associations totaled about 2,100.

Local shipping associations developed to full stature. Products were shipped to central markets, where they were usually sold on consignment by a commission agency. Farmers soon began experimenting, however, with terminal selling. Federations of local shipping associations and a few centralized cooperatives started terminal selling with the hope of handling a substantial percent of the production in their area.

Some of the important cooperatives formed during the 1890's were the California State Raisin Growers Association, Fresno; the Hood River Growers Union, Hood River, Oreg.; the Riverside Growers and Packers' Protective Union, Riverside, Calif.; and the Southern California Fruit Exchange, which later became the California Fruit Growers Exchange and is now known as Sunkist Growers, Inc., Sherman Oaks.

At the same time, cranberry growers in New Jersey and Massachusetts and grape growers in New York, Michigan, and Iowa organized cooperatives to market their products.

Cooperative egg marketing was given a new start in California, and potatoes and other produce along the Atlantic Coast began to move through cooperatives.

## **The Farmers Union**

The Farmers Educational and Cooperative Union of America, the third general farm organization to advocate and sponsor cooperative business enterprises, was launched in Texas in 1902 as an outgrowth of the Farmers Alliance movement. Although the Farmers Union considered educational and social problems, it placed major emphasis on economic activities.

In the early years, it performed purchasing and marketing services through Farmers Union locals but soon began organizing local cooperatives. In later years, it formed federated and centralized regional associations. The Farmers Union was first active in Texas, Louisiana, Arkansas, and Mississippi. Later it became especially active in Oklahoma, Kansas, Nebraska, Missouri, Colorado, North Dakota, South Dakota, Minnesota, Montana, Washington, and Wisconsin.

In the South, the Farmers Union placed emphasis on storing and marketing cotton and improving the credit and mortgage system. It also used the business agent system for buying supplies for members of Farmers Union locals. In the Midwest, it gave attention to organizing cooperative elevators, creameries, livestock shipping associations, stores, and oil and supply cooperatives.

The Farmers Union consistently advocated buying production supplies by the carlot. The secretary or purchasing agent of a



*Many early cooperatives took the name of the general farm organization that fostered their formation.*



local, sometimes jointly with a nearby local, made up carlot orders of supplies needed by members. State organizations, directly or through a subsidiary, developed contracts with supplying business firms. Eventually these activities led to organizing cooperatives to distribute production supplies. In Nebraska, the State Farmers Union established a wholesale supply purchasing department in 1914 to serve Farmers Union locals, other cooperatives, and some farmers directly. In 1919, a separate wholesale cooperative, the Farmers Union State Exchange, Omaha, Nebr., was formed.

The Farmers Union exercised a great deal of influence in organizing cooperative livestock shipping associations, both local and regional, and commission associations at terminal points. The first of these commission associations was set up at South Omaha, Nebr., in 1917, and this pioneered the way for several similar organizations. One was established at St. Joseph, Mo., the same year. In 1918, the Farmers Union Livestock Commission opened at Sioux City, Iowa; and Farmers Union Livestock Commission Association, Kansas City, Kans., organized. A Farmers Union livestock commission association also was formed at Denver, Colo., in 1919.

The Farmers Union helped organize many cooperative grain marketing associations, particularly in Kansas, Nebraska, and the Dakotas. In 1914, the Kansas associations formed a regional grain marketing agency (Farmers Union Jobbing Association, Kansas City, Mo.) to sell their members' grain on the terminal market.

Another successful enterprise, the Farmers Union Cooperative Creamery Co., Superior, Nebr., was organized in 1917 and began operating in 1920.

### **The American Society of Equity**

Another general farm organization, the American Society of Equity, began in 1902 in southern Illinois. Because of low tobacco prices that confronted members in Kentucky, early emphasis was on marketing control. To counter low tobacco prices, the Equity organized the Burley Tobacco Growers in 1906, arranged for the warehousing and pooling of tobacco, and financed growers who needed advances on crops held in storage. By 1908, it recommended that members grow no tobacco; and to bring nonparticipating growers in compliance, armed night-raiders destroyed tobacco beds and crops. This resulted in a temporary economic victory for the Equity because of substantially higher prices for tobacco. Severe indignation among law-abiding citizens, however, developed within the State. While the Equity proved its



point and demonstrated the strength of joint action, it ended operations in Kentucky and shifted emphasis to the North Central States. Here attention was directed to marketing livestock, grain, potatoes, and general produce. Attention was focused on serving producers as a central agency for selling produce and buying necessary production supplies for local exchanges. It also sponsored several livestock packing plants as early as 1913.

While many Equity-sponsored cooperatives continued in operation after World War I, and some still carry the name, the basic Equity by this time was largely a Wisconsin organization. As a general farm organization, it went into a period of diminishing membership and finally merged with the National Farmers Union in 1934.

### **Many Regionals Formed**

Concentrated attempts were made to develop terminal marketing cooperatives from 1905 to 1910. A cooperative livestock commission company began operation on Midwest terminal markets and an orange-marketing association started in California in 1906.

Tobacco growers formed an association in Kentucky the next year, and western wool growers followed with a cooperative sales agency. Poultry and egg producers in New York and lima bean growers in California formed central marketing associations in 1909. Almond growers in California began to sell products cooperatively in 1910.

The first major regional supply cooperative, Fruit Growers Supply Co., Los Angeles, Calif.—organized in 1907—obtained box shoo and orchard supplies for local packing units of California Fruit Growers Exchange, now Sunkist Growers, Inc., Sherman Oaks, Calif.

During this period, several major cooperatives came into existence. Examples of these are: The forerunner of Sun-Maid Raisin Growers Association, Fresno, Calif.; Farmers Union Jobbing Association (now a part of FAR-MAR-CO, Hutchinson, Kans.), Kansas City, Mo.; California Walnut Growers Association, Los Angeles; Poultrymen's Cooperative Association, Riverside, Calif.; Dairymen's League Cooperative Association (now Dairylea), New York City; and Washington Cooperative Egg and Poultry Association (now Western Farmers Association), Seattle.

Ohio Wool Growers Cooperative Association, Columbus, started in 1918. Maryland Tobacco Growers Association, Baltimore, began operations in 1917.

From 1914 to 1920, several important regional production supply cooperatives were formed. As has been mentioned,

Farmers Union State Exchange, Omaha, Nebr. (merged with Farmers Elevator Service Co., Fort Dodge, Iowa, to form Farmers Regional Cooperative which later merged with Land O'Lakes Creameries, Inc., to form Land O'Lakes, Inc., Minneapolis, Minn.), began handling supplies for members in 1914.

A group of local cooperative stores set up the Central Cooperative Wholesale (merged with Midland Cooperatives, Inc., in 1968) of Superior, Wisc., in 1917.

Eastern States Farmers Exchange, with headquarters in West Springfield, Mass., formed in 1918 to purchase feed, seed, fertilizer, and miscellaneous supplies for members in several States. In 1920, the Cooperative Grange League Federation Exchange, Inc. (G.L.F.) was established with headquarters in Ithaca, N.Y. (These two have merged to form Agway Inc., Syracuse, N.Y.)

### **Other Developments**

From 1900 to 1920, several other events stimulated the development of agricultural cooperation. In 1908, President Theodore Roosevelt created the Country Life Commission which took an interest in cooperatives. College professors turned their attention to the possibilities of farmer cooperation. A series of conferences on marketing and credit were held. New cooperative laws enacted in Wisconsin and Nebraska in 1911 influenced cooperative legislation in many other States.

President Woodrow Wilson in 1913 sent a commission to Europe to study cooperation and report its findings. As a result, credit cooperatives were organized which later proved to be the forerunners of the present cooperative Farm Credit System. In that year, also, the U.S. Department of Agriculture established an Office of Markets with a project in cooperative purchasing and marketing. The Smith-Lever Act, passed in 1914, provided for the Extension system of the U.S. Department of Agriculture and the State agricultural colleges and resulted in increased emphasis on cooperatives.

The county and State Farm Bureaus were formed as agencies to promote agricultural extension work. Education in selling farm products and purchasing supplies often was considered a part of the county agent's duties. The agents assisted in organizing many cooperatives.

By the end of the 1910-20 period, three strong types of cooperatives were dealing with marketing problems. These included federations of locals, centralized cooperatives, and terminal marketing cooperatives.

The first two national cooperatives were organized in this

period, both in 1916. They were The Cooperative League of the USA (now headquartered at Washington, D.C.) and The National Milk Producers Federation, Washington, D.C.

Much of the growth of farmer cooperatives during 1910-20 was generated by their successful operations. The knowledge necessary to make such enterprises succeed had become widespread, and the air was filled with optimism. World War I stimulated food production, and rising prices for items bought by farmers increased interest in cooperative purchasing of supplies.

During the second decade of the 20th century, local cooperatives increased at a rapid rate. Nearly 7,000 marketing cooperatives and 1,300 supply cooperatives were organized.

## **Commodity Marketing and Supply Purchasing Firmly Established, 1920-33**

Early in 1920, farmers accepted a new slogan, "orderly commodity marketing." It emphasized a development already underway and appropriately described the fourth period in the history of agricultural cooperation. It was proposed that regional associations be created to handle the entire crop in important producing areas.

Original impetus to this movement was given at a meeting in Montgomery, Ala., in April 1920. A California lawyer, Aaron Sapiro, presented ideas that influenced the course of cooperative development through emphasis on commodity associations operating over extended areas. Up to this time, the local association usually had received primary attention in building farmer cooperatives.

The Sapiro program contemplated State or regional single-commodity cooperatives, each controlling enough of its respective crop to be a decisive factor in determining prices. Following the Montgomery meeting, cooperative leaders proceeded to form State and regional associations for marketing cotton, tobacco, wheat, broomcorn, white potatoes, peanuts, rice, sweet potatoes, olives, alfalfa, milk, melons, and poultry. Farmers signed "iron-clad" contracts providing for delivery of their crops to these new enterprises.

At the close of 1920, a total of 16 centrally controlled cooperatives had about 50,000 members. By 1925, the number had increased to 74 with some 880,000 members. Among the many cooperatives started during these days were 13 wheat pools. These associations generally operated over an entire State.

*Among Government action encouraging the development of cooperatives, The Agricultural Marketing Act of 1929 established the Federal Farm Board, which led to the formation of the Farmers National Grain Corporation. It was this cooperative's barge of wheat from Kansas City to Chicago that opened the Missouri River channel for navigation June 18, 1935.*



Not all associations formed in the 1920's followed the Sapiro idea. For example, the Michigan Elevator Exchange (now merged with Farm Bureau Services, Inc.), Lansing (1920), began as a federation of local cooperatives to handle grain and dried beans. Others of this type included Minnesota Cooperative Creameries Association, Inc., the forerunner of Land O'Lakes, Inc., Minneapolis, Minn., and the Dairymen's League Cooperative Association (now Dairylea), New York, N.Y.

### **The Farm Bureau**

Another major general farm organization that influenced and stimulated business cooperation among farmers was the American Farm Bureau Federation and its various State and county affiliates. Various State Farm Bureau federations formed the national organization in 1919. But Farm Bureau did not become active in cooperatives until the 1920's. Then it set up special committees of 13 to 21 members to prepare plans for cooperative marketing enterprises in the fields of livestock, grain, fruits and vegetables, and eggs.

As a result, several national organizations were established, including U.S. Grain Growers, Inc., Chicago, Ill.; Federated Fruit and Vegetable Growers, Inc., Chicago; and National Livestock Producers Association, Chicago. The first two operated only a few years.

American Farm Bureau Federation, in sponsoring the organization of cooperatives, frequently assumed expenses incurred before organization and furnished initial capital. Cooperatives usually repaid the money advanced for these expenses.

Farm Bureaus in various States also were interested in the cooperative purchase of production supplies for farmers. In 1921-23, those in Indiana, Ohio, and Mississippi pooled members' orders for carload shipments of items used in quantity.

Then in the mid-1920's, many countywide Farm Bureau supply associations were incorporated. Within a short time, a number of statewide Farm Bureau wholesale cooperatives were organized to serve them. These cooperatives expanded operations, and many now provide marketing as well as production supplies and related services.

### **Farmers Union Cooperatives Organized**

The influence of the Farmers Union on cooperatives, first mentioned in the previous section, has continued.

Minnesota Farmers Union purchased Equity Cooperative Exchange at St. Paul, Minn., in 1922.



*American Farm Bureau Federation began a vigorous cooperative development program in the mid-1920's, an effort that produced some of the largest cooperative organizations operating today.*



In 1925, Farmers Union Terminal Association was formed at St. Paul. This was the forerunner of the present Farmers Union Grain Terminal Association (GTA), which began operations in 1938. The original terminal association set up a subsidiary in 1927 to market supplies. In 1931, this subsidiary was incorporated separately as Farmers Union Central Exchange, St. Paul, Minn.

In the early 1930's Nebraska had about 100 Farmers Union cooperative stores; 100 oil associations; 200 elevators and cream stations, which also handled supplies; and about 50 Farmers Union locals buying supplies through secretaries or agents.

### **Other Cooperatives Appear**

Use of petroleum products began to increase in the late 1920's with the coming of the farm tractor and truck. As a result, numerous petroleum cooperatives were formed. Many marketing associations added petroleum departments. The cooperative that has now become Intermountain Farmers Association, Salt Lake City, Utah, was set up in 1923. The Farm Bureau, Farmers Union, and Grange sponsored many supply cooperatives in various States. Others organized as independent local cooperatives. Four regional petroleum wholesale cooperatives were formed between 1926 and 1930. Two of these—Illinois Farm Supply Co., Chicago (now a part of FS Services, Inc., Bloomington, Ill.) and Consumers Cooperative Association (now Farmland Industries, Inc.), Kansas City, Mo.—have become prominent in their areas.

Various other cooperatives formed in the 1920's. Southern States Cooperative, Richmond, Va., was organized originally as the Virginia Seed Service in 1923. The same year, farmers of Missouri, through their local exchanges, established MFA Milling Co., Springfield, to manufacture quality feeds at minimum costs.

During this period two additional organizations appeared. They were the American Institute of Cooperation (AIC), organized in 1925, and the National Council of Farmer Cooperatives, organized in 1929. Both are headquartered in Washington, D.C.

### **Legislative Benchmarks**

Numerous contributions to the legal side of cooperatives were made during 1920-29.

Legislators in most States accepted a standard cooperative act, the Bingham Act of Kentucky, in slightly modified forms. Three legislative acts of national concern to cooperatives were put on the books. The Capper-Volstead Act, passed in 1922, specifically sanctioned farmer cooperatives that met certain requirements.

In 1926, Congress passed the Cooperative Marketing Act, which provided for a division of cooperative marketing in the U.S. Department of Agriculture. This division later became Farmer Cooperative Service.

The Agricultural Marketing Act established the Federal Farm Board in 1929. A revolving fund of half a billion dollars also was authorized, which among other things, was to assist cooperatives. As a result, a number of new associations and stabilization corporations appeared—several with the word “national” in their names.

These included National Livestock Marketing Association, Chicago, Ill.; National Wool Marketing Corporation, Boston, Mass.; American Cotton Cooperative Association, Memphis, Tenn.; and National Beet Growers Association, Denver, Colo.—all federations of regional or terminal marketing cooperatives.

The end of Farm Board activities marked the end of the rapid development of national commodity cooperatives. Some went out of business because they could not live up to the high expectations that had been generated. They never controlled a sufficient portion of any product to exert a strong market influence.

## **Business Performance Emphasized, 1933-45**

During the fifth period of farm cooperative development a wide range of forces left their marks. These included economic depression, drought, new agricultural programs, and World War II. The results were rising demands for agricultural commodities; frequent shortages of many production supplies; and pronounced shifts to mechanized, scientific, and commercialized farming.

This period was characterized by growth in volume of business and memberships and by increasing recognition of the importance of sound business practices. There was a trend toward more complex association that provided broader services for members.

During this period, the number of large-scale organizations, as well as of bargaining associations, increased. More cooperatives began to combine marketing and purchasing operations.

Many cooperatives improved their financial situation and gave increased attention to processing farm products and manufacturing production supplies. They further recognized the growing importance of research and education and they gave more thought to improving efficiency. Cooperatives often became pacesetters for farmers.

A few illustrations and highlights of these developments follow.



## **Financing Agencies Organized**

An important event for farmer cooperatives in the early 1930's was legislation creating the Farm Credit Administration. As a result, a system of banks for cooperatives to make facility, operating, and commodity loans came into being. This legislation also resulted in establishment of production credit associations to provide farmers with a cooperative system for short-term credit.

Banks for cooperatives have helped many associations build a more solid financial foundation. Not only did these banks provide dependable and economical lending services, but they also provided advice on business and financial practices.

Establishment of the Rural Electrification Administration in 1935 encouraged and financially helped rural electric cooperatives to provide electricity and, at a later date, telephone service to rural communities.

## **Research and Educational Assistance Provided**

With the emphasis on sound business operations and finances, the need for research and educational assistance to farmer cooperatives was further recognized. Such work, begun by the U.S. Department of Agriculture in 1913, was strengthened and formalized in 1926 by the Cooperative Marketing Act. Starting in 1933, this program was carried on by the Cooperative Research and Service Division of the Farm Credit Administration.

This division emphasized problems of management, organization, policies, financing, merchandising, costs, efficiency, quality, and membership relations. It advised officials of farmer cooperatives and worked with educational agencies, cooperatives, and others in disseminating information on cooperative principles and practices.

The division's work in assisting farmers with their cooperative problems was a step in the direction of helping them with their marketing and buying problems and thus supplemented the long-term program of assistance on crop and livestock problems by other agencies of the U.S. Department of Agriculture and by the State experiment stations.

Somewhat similar research was underway at a number of land-grant colleges, and State extension services helped provide educational assistance. Some cooperatives, also, were developing quality control programs and setting up their own research departments to work on specific operating and general economic problems.

## Processing Expanded

Farmer cooperatives began to increase the number of their marketing services between 1933 and 1945. Much of this was brought about by increased processing by fruit and vegetable, dairy, and poultry cooperatives.

Many production supply cooperatives undertook marketing, and many local cooperatives began to handle a wider line of supplies than just feed, seed, and fertilizer. As a consequence, farm supply regionals started to explore for crude oil and to refine petroleum products; to manufacture feed and fertilizer; and to handle such items as insecticides, veterinary supplies, and miscellaneous farm and home equipment.

Many supply cooperatives added services such as fertilizer and lime spreading, feed mixing, seed cleaning, and paint spraying. A number of marketing and purchasing cooperatives also added frozen food locker plants and local processing services.

Even before World War II, decentralization of livestock marketing brought more local slaughtering and processing. Six meatpacking organizations were launched from 1930 to 1938.

The first cooperative petroleum refinery was built in 1939, and several more were soon acquired to help assure farmers adequate fuel supplies during the war period. Feed mills, fertilizer and insecticide plants, and box shook mills also were acquired during 1933-45.

World War II greatly stimulated cooperative processing of dried milk and dehydration of fruits and vegetables. The first cooperative sugar mill in the United States was established in 1932, and several others started after that time. Rice cooperatives began acquiring milling and drying facilities in 1933-45.

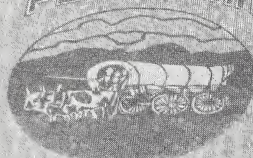
Most of the cottonseed oil mills started after 1936, and all of the soybean oil mills were established after 1940 to help meet the critical shortage of protein feeds after World War II and to help improve returns to producers. Cooperative canning of fruits and vegetables continued to grow; and freezing, dehydration, and prepackaging services were added. Some of these dehydration and processing plants later ceased operating, however, because of problems encountered in adjusting to changing market conditions. In 1940, the first cooperative to process and market broilers was organized. Cooperative wineries in California grew in importance.

*Cooperative effort in cotton that began with local gins expanded into oil processing and, in 1976, denim cloth manufacturing.*

**PLAINS COOPERATIVE OIL MILL**

**PLAINSMAN**

**COTTONSEED**



**PRODUCTS**

**FEEDS**



*Consumers Cooperative Association (now Farmland Industries), broke through a manufacturing barrier in 1939 when it built the first cooperative petroleum refinery at Phillipsburg, Kan.*



## Modern Business Methods Stressed

The period 1933-45 saw increasing emphasis placed on managerial, employee, and director selection and training. Manager and employee compensation and incentive plans were accepted as a part of modern business practices. Departmentalizing of operations, membership and public relations, and operating efficiency also received more attention—especially from regional associations.

Continued growth in size of agricultural cooperatives and complexities of their operations, coupled with provisions of the Federal income tax statutes, also emphasized the need and importance of improving cooperative accounting and auditing services.

By necessity, many large centralized and federated types of cooperatives, whose activities extended into many fields, developed accounting systems for more effective operating controls and auditing services for member or branch affiliates.

Pioneer efforts in this direction were taken by such regional cooperatives as Cooperative GLF Exchange, Inc., Ithaca, N.Y. (now Agway Inc.); Southern States Cooperative, Inc., Richmond, Va.; Consumer Cooperative Association, Kansas City, Mo. (now Farmland Industries); and Midland Cooperatives, Inc., Minneapolis, Minn.

Many other regional cooperatives also developed accounting and auditing departments to service their county and local association members. The Illinois Agricultural Association, Bloomington, Ill., for instance, has operated a separately incorporated Illinois Agricultural Auditing Association for many years. Participating members bought shares of stock in this association, and its services have been provided at cost.

Over the years, most local cooperatives also have shown marked progress in keeping their business records. The accounting and auditing services developed and provided by the regionals and other firms have been of substantial value in improving business and financial practices.

Two additional national cooperatives were organized during this period. They were:

The National Federation of Grain Cooperatives, Washington, D.C., organized in 1939, and the National Rural Electric Cooperative Association (NRECA), Washington, D.C., organized in 1942.

*As cooperatives grew in size, training programs began to teach employees modern business methods. This is a bookkeeping school using new automatic equipment in the mid 1950's.*



## Adjustments to Change, 1945-76

The sixth—and current—period of agricultural cooperative development came on the heels of World War II. This period is marked by tremendous shifts in the agricultural economy, technological impact, changes in corporate business structures, and changes in national and international relationships. These caused far reaching adjustments in cooperative operations.

Most impact is coming from growing emphasis on: (1) economic integration; (2) consolidations and mergers; (3) education and research; (4) financial structure; (5) employee and director training; (6) modernization of equipment and facilities; and (7) business service expansion.

### Integration Intensifies

Integration, of course, is not a new economic concept as far as cooperatives are concerned. In fact, most cooperative integration started as a form of horizontal integration when local associations providing similar services banded together into federations.

The same development occurred when large numbers of farmers formed centralized associations. As these cooperatives gained economic power, they were able to undertake various vertically integrated activities.

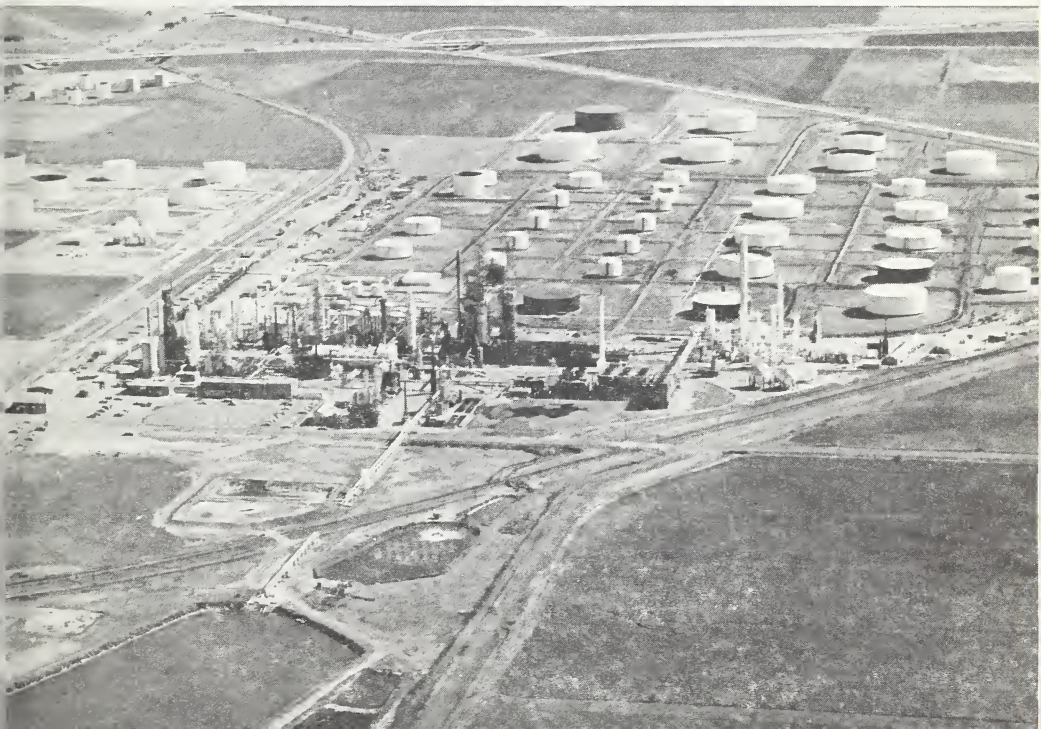
For a number of years, then, many marketing and purchasing cooperatives, as well as some bargaining associations, have performed a wide variety of farm business services under one management. What is new in integration, however, is the increased emphasis on contractual arrangements that in varying ways link production, financing, processing, and marketing with the management function. The result is many completely new problems for cooperative management.

Many cooperatives have entered into a wide number of contractual arrangements with farmer producers. Others have expanded operations both horizontally and vertically to give farmers greater control over their farm operations.

Vertical integration by cooperatives has progressed rapidly. Most of the feed, seed, and petroleum products and two-thirds of the fertilizer that regional cooperatives furnish their locals are processed in cooperative plants. Of special interest is the development of CF Industries, Inc., (formerly Central Farmers Fertilizer Co.), Long Grove, Ill., which moved into manufacturing basic plant foods for its member regional cooperatives. This gives many cooperatives a highly integrated mine-to-farm fertilizer distribution system.



*CF Industries, Inc., Long Grove Ill., mining potash in Canada and National Cooperative Refinery Association, McPherson, Kan., receiving crude oil from Libya illustrate how cooperatives have developed interregional organizations and have extended operations to other countries.*





The energy shortage in 1973 forcibly brought to cooperatives the need to be more basic in petroleum and fertilizer operations. As a result, they have made some progress in acquiring crude oil and phosphate reserves and in building new anhydrous ammonia plants. The major regional cooperatives organized the International Energy Cooperative, Washington, D.C., to help obtain needed petroleum supplies.

Many marketing cooperatives also are providing a growing number of processing and distribution services to help move farm products closer to eventual consumers. Within the past decade, three regional cooperatives began developing more completely integrated processing and marketing services for livestock producers.

Others are exploring possibilities for forward integration, either individually, cooperatively, or by joint ventures with other firms. A notable example is Agway's development of fruit and vegetable processing services for growers in the Northeast.

Farmland Industries offers fully integrated services to pork producers. These include production research, financing, and management assistance; feeder pig supply service; and all necessary production supplies. Marketing services are available through its subsidiary, Farmland Foods, including meatpacking and merchandising of fresh pork and processed products, such as canned and smoked hams, bacon, luncheon meats, and heat-and-eat products.

Moroni Feed Co., a cooperative serving turkey producers in Moroni, Utah, has a breeder farm, a hatchery, a feed mill, a supply and equipment store, and a modern processing plant. It sells members' turkeys through a national cooperative sales agency of which it is a member. A few other cooperatives provide similar services for egg and broiler producers.

A recent example of integrating forward is a textile mill built in 1976 by American Cotton Growers, Lubbock, Tex.

## **Consolidations and Mergers Increase**

Consolidations and mergers of small cooperatives made progress, especially in the dairy, grain, fruit and vegetable, and production supplies field. Many merged to get the advantage of larger volume, modern equipment, and more capable management. Information obtained by Farmer Cooperative Service indicated that 965 cooperatives consolidated or merged during the 14-year period, 1957-70.

Marked progress has been made in coordinating the efforts of both local and regional cooperatives. Some 10 or 12 area or national federations of regional supply cooperatives have been

formed, mostly to manufacture such farm supplies as fertilizer, feed, or petroleum products.

Specific mergers of farm supply cooperatives include:

—Illinois Farm Supply, Co., Chicago, Ill., and Farm Bureau Service Co. of Iowa merged in 1962 to become FS Services, Inc., Bloomington, Ill. In 1965, Producers Seed Co., Piper City, Ill., merged with FS Services. Also in 1965, the Wisconsin Farmco Service Cooperative, Madison, became a part of that association.

—Michigan Elevator Exchange, Lansing, Mich., became a division of Farm Bureau Services, Inc., Lansing, in 1962.

—Midland Cooperatives, Inc., Minneapolis, Minn., and Central Cooperatives, Inc., Superior, Wis., merged in 1963 under the name of the former.

—Cooperative Grange League Federation Exchange, Inc. (GLF), Ithaca, N.Y., and Eastern States Farmers Exchange, West Springfield, Mass., merged in 1964 to become Agway Inc., Syracuse, N.Y. In 1965, Pennsylvania Farm Bureau Cooperative Association, Harrisburg, Pa., became a part of Agway.

—The following cooperatives have merged into Farmland Industries, Inc., Kansas City, Mo., or its predecessor, Consumers Cooperative Association: Farm Bureau Service Co. of Missouri, Jefferson City, in 1965; Minnesota Farm Bureau Service Co., St. Paul, in 1968; Southern Farm Supply Association, Amarillo, Tex., in 1968; and Far-Mar-Co, Inc., Hutchinson, Kans., in 1977.

—Idaho Potato Growers, Idaho Falls, Idaho, became a part of Western Farmers Association, Seattle, Wash., in 1968.

—Grange Cooperative Wholesale, Spokane, Wash., became a part of Farmers Union Central Exchange, St. Paul, Minn., in 1971. Northern Cooperatives, Inc., also was purchased by Farmers Union Central Exchange the same year.

—MFA Central Exchange, Columbia, Mo., became a division of Missouri Farmers Association, Columbia, on Jan. 1, 1972.

—National Cooperatives and United Cooperatives, both federations and operating on a national scale, were merged into Universal Cooperatives in 1972.

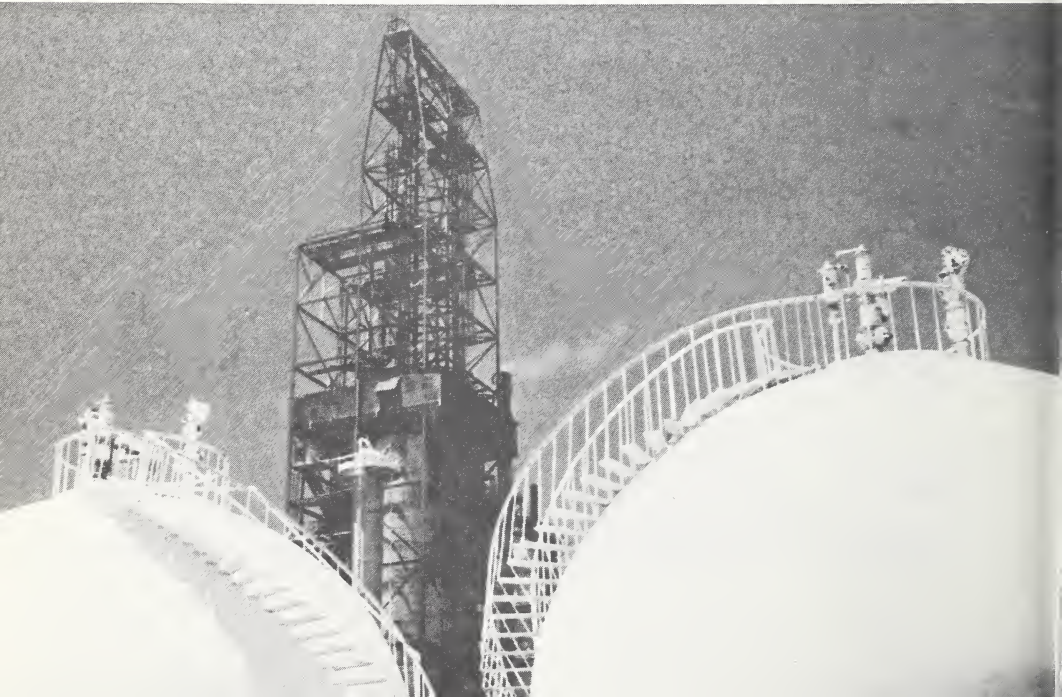
—Utah Cooperative Association, Salt Lake City, became part of Farmers Union Central Exchange (CENEX) in 1976.

Several cooperative trucking associations have been set up to provide necessary transportation services for marketing and farm supply cooperatives.

A number of important mergers have occurred among dairy cooperatives. Generally, they were initiated by changes in tech-



*Cooperatives' biggest merger occurred in 1977 when Far-Mar-Co, Inc., Hutchinson, Kan., the largest regional grain cooperative, became a subsidiary of Farmland Industries, Inc., Kansas City, Mo., the largest manufacturing and farm supply regional. The two organizations' combined annual volume at the time of merger exceeded \$3 billion.*



nology that widened the movement of both raw whole milk and packaged milk products and increased the shift toward large-scale plants. These changes required a new organizational structure for dairy cooperatives to best serve their farmer-members. To increase their bargaining strength and coordinate marketing activities, several large bargaining federations have been formed, among them:

—Great Lakes-Southern Milk, Inc., Detroit, Mich., was organized in 1960. It was among the first to be organized and presently represents 15 dairy cooperatives with a combined membership of more than 31,000 dairymen located largely east of the Mississippi River and west of the Appalachian Mountains and from Canada to the Gulf of Mexico.

—Associated Dairymen, Inc., Kansas City, Mo., was organized in 1964 by about 35 cooperatives in central States, largely west of the Mississippi River. By 1971, mergers of member cooperatives had reduced the number of members to two.

—New York-New England Dairy Cooperative Coordinating Committee was organized in 1966. It represents, directly or indirectly, most of the dairy cooperatives in the Northeast.

—Central Milk Producers Cooperative was organized in 1968. It represents 16 cooperatives and their 15,000 farmer members shipping milk to the Chicago area milk market.

—Pennmarva Dairymen's Cooperative Federation, Inc., was organized in 1968. It represents 3 cooperatives and their 5,000 farmer-members mostly in Pennsylvania, Maryland, and Virginia.

Development of large bargaining federations did not fully meet dairy farmers' marketing needs. In many cases, they served to stimulate mergers of dairy cooperatives into large centralized organizations, such as:

—Mid-America Dairymen, Inc. (Mid-Am), Springfield, Mo., was formed in 1968 by a group of dairy cooperatives with members located largely in Missouri, Kansas, Iowa, and Illinois. This organization was preceded by a consolidation that brought together the major cooperatives serving dairymen in the Kansas City area. Mid-Am has experienced a number of mergers—first in the initial service area and later in Nebraska, Minnesota, and Wisconsin. Major organizations coming into Mid-Am include Twin City Milk Producers Association, St. Paul, Minn.; North Star Dairy, St. Paul, Minn., and its member cooperatives; and Central States Dairy Cooperative, Omaha, Nebr. Central States Dairy Cooperative had been formed through consolidation of the major dairy cooperatives in Nebraska in 1969.

—Dairymen, Inc. (DI), Louisville, Ky., was formed in 1968 by a group of dairy cooperatives serving dairymen located largely in Kentucky, Virginia, Tennessee, Mississippi, Louisiana, and



*Merger activity in the 1960's and 1970's produced Associated Milk Producers, Inc., San Antonio, Tex., and added to the size of Land O'Lakes, Inc., Minneapolis. Both regionals by sales volume are among the five largest cooperatives in the Nation.*



North Carolina. Several of the cooperatives forming DI had participated in mergers in their respective service areas. DI has experienced a number of mergers by dairy cooperatives in Georgia, North Carolina, Tennessee, and Alabama.

—Associated Milk Producers, Inc. (AMPI), San Antonio, Tex., was formed in 1969 by a group of cooperatives serving members throughout central States from Canada to Mexico and from the Rocky Mountains to the Ohio River. A major step preceding the AMPI consolidation was creation of Milk Producers, Inc., in 1967 by most of the dairy cooperatives in Arkansas, Oklahoma, Texas, New Mexico, and parts of Kansas. Another large cooperative participating in the formation of AMPI was Pure Milk Association, Chicago, Ill. AMPI has experienced a number of mergers, particularly by cooperatives located in Minnesota, Wisconsin, and Iowa. Most of the cooperatives merging with AMPI have been milk manufacturing organizations. However, they also include bargaining associations, the largest being Pure Milk Products Cooperative, Fond du Lac, Wis. AMPI has become the Nation's largest dairy cooperative.

—Milk, Inc., Cleveland, Ohio, was created in 1969 by four major dairy cooperatives in western Pennsylvania and northern Ohio.

—Yankee Milk, Inc., was formed July 1, 1972, when three major dairy cooperatives in the Northeast joined forces. Consolidated Milk Producers Association of Connecticut and New England Milk Producers Association consolidated and purchased the assets of United Farmers of New England, which then became the third cooperative in Yankee Milk, Inc. Consolidated Milk Producers Association had been formed through consolidation of the major dairy cooperatives in Connecticut and Rhode Island in 1967.

—In 1970, Land O'Lakes Creameries, Inc., Minneapolis, Minn., and Farmers Regional Cooperative, Ft. Dodge, Iowa, merged to become Land O'Lakes, Inc. (LOL), Minneapolis. Also during that year a number of dairy cooperatives were merged into LOL. These were largely manufacturing cooperatives in Minnesota and South Dakota.

Principal mergers in the grain trade have included:

—Farmers Union Marketing Association, Denver, Colo., and Farmers Union Cooperative Elevator Federation, Omaha, Nebr., merged in 1964 with the Farmers Union Cooperative Marketing Association, Kansas City, Mo. In 1968, the latter association plus the Equity Union Grain Co., Lincoln, Nebr.; West Central Cooperative Grain Co., Omaha, Nebr.; and Farmers Cooperative Commission Co., Hutchinson, Kans., merged to become FAR-MAR-CO, Inc., Hutchinson, Kans.

—Other examples of grain cooperatives working together include the joint operation of terminal elevators by two or more regional cooperatives, such as: Kansas City Terminal Elevator at Kansas City, Mo.; St. Louis Grain Cooperative at St. Louis, Mo.; Farmers Export Company, with headquarters at Kansas City, Mo., and an export facility at New Orleans; and Mid-States Terminals at Toledo, Ohio.

—The following related affiliates were merged into Farmers Union Grain Terminal Association, Minneapolis, Minn., in 1971: Honeymead Soybean Co., Froedtert Malt Corporation, and Great Plains Supply Co., all headquartered in St. Paul, Minn.

Mergers have occurred among cooperatives handling eggs and poultry:

—Draper Egg Producers Association, Draper, Utah, became a part of Intermountain Farmers Association, Salt Lake City, Utah in 1963. Then in 1964, Draper Poultrymen, Inc., a farmer stock company manufacturing feed, merged with Intermountain Farmers Association.

—Nulaid Farmers Association, San Leandro, Calif., and Hayward Poultry Producers Association, Hayward, Calif., merged in 1963 to become Pacific Growers, Inc., San Leandro, Calif.

Three federations of cooperatives also were formed during this period:

—In the early 1970's, two national poultry cooperatives were formed. These were the National Broiler Marketing Association (NBMA) Jackson, Miss., and United Egg Producers (UEP) Atlanta, Ga. They were created to fill an urgent industry need to make product supply more responsive to demand.

—A major development in cooperative cotton marketing was the organization of AMCOT in 1971 to handle sales of four of the largest cotton marketing cooperatives in the United States. AMCOT was formed to consolidate sales efforts and reduce marketing costs. Among the more important contributions of AMCOT is that customers can come to one organization to buy their cotton, because virtually all major varieties of American cotton are produced by the four cooperatives' grower-members. AMCOT represents about 25 percent of total U.S. cotton production.

A major merger in California seed marketing associations occurred in 1969. Calodino Farm Seeds, Inc., Willows and Cal-approved Seed Growers Association, Modesto, became Cal/West Seeds with headquarters in Woodland.

There have been a number of important merger developments among fruit and vegetable cooperatives:

—A significant development occurred among marketing cooperatives when National Grape Cooperative Association,

Westfield, N.Y.—a centralized organization—was formed in 1949 and purchased facilities and the brand name of Welch Grape Juice Company (now Welch Foods) in the early 1950's.

—California Cannery and Growers (Cal-Can), San Francisco, Calif., began operations in 1958 with the acquisition of two processors, including their nationally known brands and management staffs. Four other processing operations were acquired in California and a new canning plant was built in Wisconsin. Cal-Can and Tri/Valley Growers, fruit and vegetable processing cooperatives at San Francisco, Calif., operate CT Supply, a can manufacturing facility, and California Valley Exports, an export marketing agency.

—Establishment, in 1961, of Pro-Fac Cooperative, Inc., and its companion operating company, Curtice-Burns, Inc., both of Rochester, N.Y., provide individual fruit and vegetable growers a way of participating in the further processing and marketing of their products. With the leadership and financial assistance of the then Cooperative Grange League Federation Exchange, Inc., (GLF—now Agway Inc., Syracuse, N.Y.), growers organized Pro-Fac and raised the necessary capital to purchase the facilities of two processing companies. Curtice-Burns was organized under the joint ownership of GLF and the former management of the two processing companies to operate Pro-Fac's facilities. This arrangement retained experienced management and marketing expertise. Since 1961, Pro-Fac has acquired other processing companies with facilities in New York, New Jersey, Indiana, and Pennsylvania. The value of raw products delivered has more than doubled and net sales have increased more than fourfold since 1962.

—In 1971, Blue Lake Packers, Inc., Salem, Oreg., and Eugene Fruit Growers Association, Eugene, Oreg., consolidated to form Agripac, Inc., with offices at Salem. In 1972, Stayton Canning Company Cooperative, Stayton, Oreg., and United Flav-R-Pac Growers, Inc., Salem, Oreg., merged with Stayton, the surviving organization.

### **Bargaining Emphasis Expands**

Another important development has been the increasing number of bargaining cooperatives. This kind of organization has been important in dairying for a number of years. About 25 of some 35 fruit and vegetable bargaining associations presently operating have been organized since World War II.

Bargaining for better prices and terms of trade has received increased attention from national farm organizations in the past decade. American Agricultural Marketing Association, an affiliate of American Farm Bureau Federation, Has some 40 State affiliate



organizations. National Farmers Organization operates through 53 area offices coast to coast. Bargaining activities of these major farm organizations tend to be multicommodity in nature.

Also in the past decade, considerable support has come from farm groups for national bargaining legislation. The Agricultural Fair Practices Act of 1967 (S-109) was designed to protect farmers and their bargaining cooperatives from discriminatory practices of buyers. More recently, other important legislation to further strengthen the bargaining position of producers has been introduced in the U.S. Congress. Also, a number of State legislatures have enacted farm bargaining bills.

Sugar beet bargaining associations have taken the lead in organizing processing cooperatives that acquired facilities from other sugar refining firms or have built their own facilities. In 1972, Red River Valley Sugar Beet Growers Association, Fargo, N. Dak., acquired the American Crystal Sugar Co. In addition, three sugar beet processing cooperatives were organized in 1972. These were: Minnesota-Dakota Farmers Cooperative, Mooreton, N. Dak.; Red River Valley Cooperative, Inc., Grafton, N. Dak.; and Southern Minnesota Beet Sugar Cooperative, Renville, Minn.

Livestock marketing cooperatives have changed their operations from predominantly terminal marketing to local auctions, order buying, order selling, contract marketing, and operation of feedlots to better serve farmers and ranchers.

### **Foreign Markets Explored**

Marketing cooperatives also have taken steps to develop international markets for farm products.

A study by Farmer Cooperative Service showed that 77 cooperatives sold \$1.2 billion worth of farm products overseas in 1970. Direct exports accounted for about two-thirds and indirect sales for the other third. Asia and Europe were the major continental markets. Seven commodity groups were sold with grains and preparations the most important in value. An average of \$15 million worth of farm supplies a year were exported and \$34 million worth were imported during the 1968-70 period.

Cooperatives often will engage in foreign trade activities jointly with other cooperatives or noncooperative firms. Some examples of joint efforts follow:

—In 1959, four Midwest grain regionals formed Mid-States Terminals, Inc., with facilities at Toledo, Ohio, for exporting grain.

—Soy-Cot Sales, Inc., Des Plaines, Ill., an association of 22 cooperative oilseed processors, was established in 1962 to market cottonseed and soybean products.



*Sunkist Growers, Inc., Sherman Oaks, Calif., may have been the first cooperative to enter the export market, when prior to 1900 it sent a gift box of oranges to England's Queen Victoria. Foreign sales of any significant volume, however, did not occur until the 1920's. By the 1970's, exporting had become a major focus of grain marketing cooperatives, individually and through interregionals such as Farmers Export Company, whose elevator at Ama, La., is shown below.*



—In 1968, Farmers Export Co. was formed by seven Mid-west regional cooperatives. It built a 5-million-bushel elevator at New Orleans for exporting wheat, soybeans, and other grains.

—Four cotton cooperatives, representing 25 percent of U.S. cotton production, formed a joint sales organization, AMCOT, in 1971.

—Several California cooperatives are involved in joint shipping and marketing organizations, including Cal-Valley Exports, Sunland Marketing, Inc., and Pacific Agricultural Cooperatives for Export, formed in 1972 by 14 cooperatives and non-cooperative firms.

## **Education and Research Expands**

An important development of the sixth period was the separation of the Cooperative Research and Service Division from the Farm Credit Administration. The division was established as a separate agency, Farmer Cooperative Service, in 1953 to more directly identify the work of the U. S. Department of Agriculture with cooperatives. In 1961, this agency was grouped with other agencies to report to the assistant secretary in charge of conservation and rural development, an arrangement that existed until 1973 when Farmer Cooperative Service, along with the Economic Research Service and the Statistical Reporting Service, reported to the Director of Agricultural Economics.

Farmer Cooperative Service and its predecessor agencies have a record of assistance to cooperatives that goes back to passage of the Cooperative Marketing Act in 1926.

Through a program of problem-oriented research, studies are made of the unique characteristics of cooperatives—particularly as they relate to financing, bargaining, pooling, integration, mergers and consolidations, and educational activities.

In response to requests, the Service provides technical assistance to individual cooperatives or groups of cooperatives on such problems as consolidations and mergers, organizational structure, plant and facility location, and a wide range of operating practices.

In addition, the Service also consults and advises with national cooperative organizations and participates in numerous educational activities as they relate to annual meetings of cooperatives, State cooperative councils, and cooperative seminars and workshops.

The basic objective of these programs is to help farmers increase their net income by getting more for products they sell and by obtaining production supplies and services at lower cost. The Service does this by helping cooperatives improve services and operating efficiency; better their member, director, employee,

and general public information programs; and encourage a more realistic understanding of the impacts of economic, social, and political forces on the ability of cooperatives to serve members.

Cooperative research at land-grant and other universities and state extension service activities in support of cooperatives have continued. Educational efforts of State Cooperative Councils, the American Institute of Cooperation, and The Cooperative League of the USA also have expanded and contributed to a better understanding of the role of cooperatives in the Nation's economy.

A number of conferences on cooperative research and teaching were jointly sponsored by Farmer Cooperative Service, the American Institute of Cooperation, and land-grant universities.

An important international development has been establishment of the International Cooperative Training Center at the University of Wisconsin in 1962. The center was sponsored with funds from the Agency for International Development and was guided by an advisory board of representatives from cooperatives.

Cooperatives themselves recently have taken important steps in conducting research. Twenty regionals cooperatively share the expenses and results of seven feed research and testing farms. Several regionals have formed a cooperative and hired a plant breeder to improve forage seed. Two legume seed marketing cooperatives in California have employed a plant breeder to develop improved varieties.

A growing number of regional supply and marketing cooperatives have added small staffs to conduct market and other economic research studies, including occasional studies on membership relations and operating problems of their affiliated local cooperatives. In 1972, there were 17 cooperatives with 30 economic and market research workers.

## **Financial Structures Broaden**

Expansion and further integration of operations, the need to modernize facilities for greater efficiency and recognition of ecological, health, and safety requirements, and increased demands of members for credit have substantially increased capital requirements of cooperatives. As a result, many have enlarged their financial base and altered their financing patterns during the past few years. They are relying less on members to provide their growing capital needs and are using more debt capital—both borrowed funds and general credit—than in the past. Between 1963 and 1970, cooperative capital increased 59 percent. Equity capital increased only 23 percent during this period, while borrowed capital increased 132 percent.

Banks for cooperatives continued to be the major source of borrowed funds, supplying about two-thirds of all debt capital.

In recent years, more and more cooperatives have come to realize the need for a greater degree of permanency in their capital structure. Many are moving in this direction by modifying the revolving fund method of financing. Others are offering more fixed income and sometimes fixed maturity certificates to their members, patrons, and outsiders as investments.

## **Employee and Director Training Improves**

With cooperatives becoming larger, more integrated, and more complex, the importance of competent employees and policymakers has become more evident. A wide variety of programs has been developed to deal with these problems. Cooperatives themselves, through various training efforts, spend thousands of dollars to train employees and members. Most State cooperative councils likewise, through annual meetings and specialized workshops, seek to improve the understanding of cooperative members, employees, and the general public concerning problems of cooperative organization and operation.

In other instances, land-grant and other colleges have developed specialized training for employees and directors. Other agencies, also, such as national cooperative agencies, have lent a helping hand. These include the American Institute of Cooperation, the Cooperative League of the USA, National Council of Farmer Cooperatives, and various commodity trade organizations. In many instances, district banks for cooperatives also have actively supported training programs. On a trial and error basis, cooperatives have worked out mutually advantageous programs drawing on the varying competency available through these different organizations. Programs developed by cooperatives have a wide range of education and training activities—all the way from specialized commodity schools for local employees to management training and development programs for key employees.

In addition, these cooperatives generally support local director clinics, sometimes including special schools for presidents of these associations. These efforts are supplemented by management institutes for key employees of national associations. These institutes may be a part of ongoing management training programs offered by various universities or they may be programs internally developed by cooperatives. In other instances, regional cooperatives have set up special training schools. Courses are continually offered in various areas.

## Facilities and Equipment Modernized

Farmer cooperatives have made much progress in modernizing their facilities, especially since World War II. They have built new plants and warehouses to better handle an increasing volume of business.

In cooperative grain marketing, for example, an important development has been the building of newly designed storage elevators—both at local and terminal markets. These enabled grain cooperatives to improve their merchandising services. Grain cooperatives also have developed river terminals and unit-train arrangements for export markets.

Cooperatives have been in the forefront in developing and strengthening new distribution systems for production supplies and farm products. Almost all cooperatives handling production supplies now have developed bulk delivery systems for feed and bulk spreading of fertilizer and lime. These systems have grown out of changes in agriculture, particularly the development of large and highly mechanized farms. Fruit and vegetable processing cooperatives are jointly building or leasing major warehousing and distribution centers in major market areas.

Petroleum refineries have been modernized continually to produce a higher proportion of fuels with higher octane ratings. Fertilizer plants are largely mechanized.

Many citrus cooperatives provide harvesting services and have developed bulk hauling to replace the traditional field boxes. Cooperative canning of fruits and vegetables has continued to grow, and cooperatives have pioneered in freezing such products. They also have continued to make marked progress in pre-packaging and merchandising. Development of cooperative wineries in California has grown in importance.

Cooperative cottonseed and soybean processing plants have been industry pacesetters in developing and adapting to improved technology. Several cooperative plants now take soybean and cottonseed oils to finished and semifinished products at mill site. Cooperative plants produce low-cost soybean and cottonseed protein for human foods.

As dairy cooperatives have converted to bulk milk tanks, many are assuming full responsibility for assembling and transporting milk from farm to plants and for manufacturing surplus Grade A milk. Primarily organized for Grade A bargaining, most of the large centralized cooperatives are heavily engaged in the operation of milk manufacturing facilities. Many are able to handle more than a million pounds a day.

Many regionals also have installed laboratories to establish

specifications for the products they want manufactured. And they test the quality of the final product.

Cooperatives have turned increasingly to ownership or leasing of specialized transportation equipment—bulk feed and fertilizer trucks, specially designed tankcars to haul liquid fertilizers; tanktrucks to haul liquid fertilizers, petroleum, and milk; ships to haul petroleum, wine, and grain; barges to haul liquid or dry fertilizer ingredients; grain barges; petroleum pipelines; airplanes for crop dusting, fertilizer application, and passenger travel.

There has been increased emphasis on livestock slaughtering and meatpacking plant operations by cooperatives. These are operated as independent entities and by existing farm supply associations. Cooperatives are now operating packing plants in six States, and some market meat products on a national basis. In addition, about 125 local cooperative processing plants provide custom services and market meat in their trade area.

### **Broader Services Added**

Many cooperatives have continued to handle a wider variety of supplies and to market more kinds of farm products. They have provided additional services related to these supplies or products, as mentioned earlier. The rice, fruit and vegetable, and production supply cooperatives illustrate the shifts to diversified, across-the-board services to meet producer needs.

Early rice cooperatives functioned only as bargaining associations in selling members' rough rice to millers. Several rice cooperatives, in addition to drying and storing, have mills that husk, polish, enrich, and market packaged rice.

Rice cooperatives maintain extensive sales organizations, conduct nationwide advertising and sales promotion campaigns, handle farm supplies for members, cooperate in research programs designed to develop new varieties and to discover new uses, and even perform other services such as operating irrigation systems for members.

Several new cooperatives were formed to market tobacco and sugar beets.

Fruit and vegetable associations also have added many marketing services for their members. These include grading, packing, marketing, merchandising, canning, freezing, drying fruits and vegetables, and concentrating frozen juices.

Other cooperative fruit and vegetable associations negotiate contracts with processors for their members and set prices for raw products. In addition, they perform other services such as handling production and harvesting supplies for members, furnishing

or arranging for short-term credit, performing grove caretaking and harvesting operations, and providing terminal facilities.

Other marketing cooperatives have added hauling, drying, and storing or warehousing services. Also, several cooperatives began providing custom feedlot services.

Some production supply cooperatives have marketing services for one or more products. Many have added insecticides, animal health products, liquid fertilizer, and liquefied gas to their line of supplies. Many cooperatives also now provide bulk feed delivery, feed grinding and mixing, soil testing, bulk blending and custom spreading of lime and fertilizer, seed processing, and the like.

During this same period, more attention has been given to increasing the range of cooperative services. By 1972, some 2,000 to 3,000 agricultural (including machinery ownership), consumer, credit union, and craft cooperatives were organized by limited resource minority groups. The main thrust for these activities was generated by the Economic Opportunity Act of 1964 and the Civil Rights Act of 1966.

Assisted by grants-in-aid, loans, and technical assistance programs, black, Spanish American, Indian, Eskimo, and Appalachian white citizens organized cooperatives specifically suited to their needs.

In some instances, established cooperatives, and in other instances, separate associations, also are examining the cooperative technique for forestry management and marketing activities, grazing, recreation, senior citizens housing, handcrafts, and the wide range of additional services that may be of interest to rural people.

## **A Period of Growth and Service**

The period 1945-76 was one of substantial cooperative growth. Annual combined net sales volume increased nearly 600 percent. Though numbers of marketing and purchasing associations declined from about 10,000 to 7,700, total memberships increased from 5 million to 6.1 million by 1974-75. The decline in number of cooperatives reflects primarily consolidations, especially among the smaller ones.

Information obtained by Farmer Cooperative Service indicates that, in general, the business of marketing cooperatives has increased faster than total income from the sale of all farm products. This is especially true for dairy, grain, and cotton associations.

Likewise, the proportion of production supplies handled by cooperatives has increased faster than total expenditures of



farmers for these items—particularly for petroleum products, fertilizer, and miscellaneous equipment and supplies. At the same time, cooperatives have continued to provide an increasing proportion of most of the services modern farm operations require.

All things considered, cooperatives as a group have continued to be in the forefront in helping members adjust to the changing economic and social conditions in rural communities.

Cooperatives were of special service to farmers during the energy shortage of the mid-70's. They limited distribution of petroleum and fertilizer to U.S. farmer-members while other firms sought greater earnings on foreign sales. They often paid premium prices for fuel to assure supplies for farm use. And they continued to serve rural areas when several other firms found it more advantageous to serve other markets.

*Author/Martin A. Abrahamsen/former Deputy Administrator/  
Farmer Cooperative Service.*



## **U.S. Department of Agriculture Agricultural Cooperative Service**

Agricultural Cooperative Service provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The agency (1) helps farmers and other rural residents obtain supplies and services at lower costs and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The agency publishes research and educational materials, and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.