UNITED STATES DEPARTMENT OF AGRICULTURE

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COOPERATIVE MARKETING OF COTTON

By

GEORGE O. GATLIN, Associate Marketing Economist
Bureau of Agricultural Economics

CONTENTS

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One of the most interesting of contemporary achievements in the history of the cooperative movement in American agriculture is the organization and operation of 15 State-wide or regional cooperative cotton marketing associations. These associations, including all of the nonstock, nonprofit, centralized cotton-marketing organizations having a generally similar members' contract and operating on a more or less uniform plan, have been formed since 1920. At the present time they handle approximately 10 per cent of the American cotton crop and have a total membership in 13 States of over 280,000 cotton growers. Table 1 lists the associations in the order of their incorporation and shows the number of members when organized and as of May, 1925.

Table 1.—*State-wide and regional cooperative cotton-marketing associations, dates of incorporation, and number of members*

Association	Headquarters	Date of incorporation				Membership	
		1921	1922	1923	1924	When organized	May, 1925
						Number	*Number*
Oklahoma Cotton Growers' Association.	Oklahoma City, Okla.	Apr. 26				35,000	55,041
Staple Cotton Cooperative Association.	Greenwood, Miss.	May 23				1,800	2,514
Arizona Pima Cotton Growers.	Phoenix, Ariz.	July 13				713	928
Texas Farm Bureau Cotton Association.	Dallas, Tex.	July 27				19,146	49,426
Arkansas Farmers' Union Cotton Growers' Association.	Little Rock, Ark.	Oct. 31				[1] 3,500	[1] 4,000
North Carolina Cotton Growers' Cooperative Association.	Raleigh, N. C.		Feb. 8			26,000	38,052

[1] Estimated by the association.

TABLE 1.—*State-wide and regional cooperative cotton-marketing associations, dates of incorporation, and number of members*—Continued

Association	Headquarters	Date of incorporation				Membership	
		1921	1922	1923	1924	When organized	May, 1925
						Number	*Number*
Arkansas Cotton Growers' Cooperative Association.	Little Rock, Ark.		Feb. 25			5,500	14,569
South Carolina Cotton Growers' Cooperative Association.	Columbia, S. C.		June 16			9,981	14,912
Georgia Cotton Growers' Cooperative Association.	Atlanta, Ga.		June 27			12,500	43,198
Alabama Farm Bureau Cotton Association.	Montgomery, Ala.		July 1			11,380	25,148
Louisiana Farm Bureau Cotton Growers' Cooperative Association.	Shreveport, La.			Feb. 24		5,230	6,253
Mississippi Farm Bureau Cotton Association.	Jackson, Miss.			Mar. 30		11,773	21,224
Tennessee Cotton Growers' Association.	Memphis, Tenn.			June 4		6,000	8,785
Missouri Cotton Growers' Cooperative Association.	New Madrid, Mo.			July 11		470	796
Illinois Cotton Growers' Cooperative Association.	Mound City, Ill.				Oct. 8	21	21
Total							284,867

BACKGROUND OF THE MOVEMENT

EARLY ORGANIZATION ACTIVITIES

The first serious effort by producers to develop cooperative marketing of cotton on a large scale occurred soon after the Civil War. Before the war there existed a g neral dissatisfaction with the cotton-marketing system, a dissatisfaction that was greatly intensified during the period of depression and reconstruction that followed. There developed in this reconstruction period a widespread interest in farmer organization, comparable in its appeal and enthusiasm only to the contemporary cooperative movement which had its beginning in the period of depression following the World War.

The Grange, or Patrons of Husbandry, which was organized in 1867 primarily as a social and fraternal organization, soon developed an ambitious marketing program. During the period of its spectacular growth in the early seventies, plans for the collective selling of cotton were put into effect by the granges of Alabama, Georgia, Mississippi, and Louisiana. Established firms were appointed as bonded sales agents to handle cotton on a commission basis. In addition to agents in domestic markets, the Mississippi grange had a representative in Liverpool. The period of actual marketing under this plan was brief. Following 1875 a rapid decline occurred in grange membership and the agency system was discontinued.

Between 1885 and 1905 a number of organizations were developed for the purpose of bringing about improved conditions in the South through concerted action on the part of cotton growers. The Southern Cotton Association, during its active years, was representative, inasmuch as its campaigns were directed toward increasing prices by decreasing production, holding the crop, or both. During this period, and to a large extent in the preceding and subsequent periods, the price appeal was dominant in organization campaigns. Usually the program combined (1) acreage reduction and (2) holding the crop for an established price.

This crop-restriction, price-fixing program was sponsored and used by the Farmers' Educational and Cooperative Union, following its formation in 1902. The Farmers' Union was very active for a number of years in conducting campaigns for limited production, advocating crop diversification, and promoting the establishment of cooperative warehouses for storing and holding cotton. It endeavored to prevent the large volume of fall selling by means of storing and financing in cooperative warehouses, and by naming a minimum price below which its members should not sell. In addition to stimulating warehouse construction, it advocated the sale of cotton on the basis of its class. Local marketing associations were later encouraged.

In 1917 the United States Department of Agriculture and the Agricultural and Mechanical College of Texas entered into a cooperative agreement providing assistance to community organizations of cotton growers in improving local marketing conditions. The purpose of this work, which was demonstrational in character, was to emphasize the relation of variety to uniformity of fiber; the advantages of growing a single variety in a community; the benefits accruing to the growers from proper ginning, baling, classing, and storing; and the economies in assembling and selling in large lots. That these purposes could be accomplished by local cooperation had been demonstrated by growers at Scott, Ark., who had organized an association for like purposes in 1912.

The formation of a number of these organizations in 1917 and the results obtained under the plan attracted considerable attention. By 1921 there were 43 organized communities in Texas, 6 in North Carolina, 19 in South Carolina, 2 in Mississippi, 3 in Arkansas, and 12 in Oklahoma, a total of 85 community organizations. During that year classers appointed as agents by the Department of Agriculture and paid in part by the cooperating farmers and the State colleges of agriculture classed over 450,000 bales of cotton. Of this quantity, about 60,000 bales were sold collectively by the growers.

A few of the organized communities have continued this local one-community type of cooperative marketing, but most of them ceased to operate with the advent of the large, centrally controlled State-wide associations.

Granting that cotton growers have had a decidedly limited experience in cooperative organization and collective enterprise as a background for the highly organized business cooperatives that are now in operation, it is apparent from a careful study of early organization activities that each effort or movement toward cooperation contributed something to the development or form of the contemporary movement.

IMMEDIATE INFLUENCES

The economic conditions immediately responsible for the formation of cooperative cotton-marketing associations after the World War were somewhat similar to those that influenced the Granger movement in the South's reconstruction period. From a very low price in 1914 cotton reached an extremely high price in the 1919–20 season. Then came the depression of 1920–21. The average price of middling cotton in New Orleans was 40.52 cents in June, 1920, and 14.64 cents in December. In March, 1921, it was 11.08 cents. At some inland points middling cotton was offered at as low as 8 cents per pound. Both the 1919 and 1920 crops had been grown at great expense, and as a result of this enormous price decline in 1920 cotton producers faced disaster.

There were other reasons, traceable in part at least to war influences, that contributed to the development of widespread dissatisfaction with the established cotton-marketing system. In 1912 the United States Department of Agriculture began some research work relative to cotton marketing, the results of which showed that cotton was not sold on the basis of quality in most local markets. The disadvantage of selling on the average or "hog-round" price, which was being brought to the growers' attention, was emphasized by the wide differences for grade and staple that prevailed in 1919 and 1920.

In the 10-year period beginning in 1914 the United States Department of Agriculture, the agricultural colleges in the Southern States, and other agencies did much that helped to pave the way for organized marketing by producers. Not only did they make available results of fundamental research work, thereby enabling the farmer to realize his problem, but this work also influenced much valuable State and National legislation.

In 1914, nine grades of upland white cotton were promulgated as official cotton standards of the United States under provisions of the cotton futures act. Standards for tinged and stained cotton were promulgated under the same act in 1916, and standards for grade and length of staple for sea-island and American Egyptian cotton in 1918. In accordance with an amendment to the act in 1919 a cotton-quotation service was developed and weekly reports on spot prices and cotton-market conditions were made available. The United States cotton standards act of 1923 provided, among other things, that in transactions in interstate and foreign commerce in which cotton is described by grade and staple the description shall be in terms of the official cotton standards.

The United States warehouse act of August 11, 1916, amended in 1919 and 1923, provided for the licensing under certain conditions of warehousemen who store agricultural products moving in interstate or foreign commerce. Many States also enacted warehouse legislation during the period. The War Finance Corporation was revived in January, 1921, as a special aid to agriculture. The agricultural credits act of 1923 provided for the establishment of 12 Federal intermediate credit banks to supply production and marketing credit. The Capper-Volstead Act, which became a law on February 18, 1922, exempted agricultural organizations from the Sherman antitrust law. Since 1920, 37 States have enacted, in whole or in part, what is commonly called the "standard marketing act," an act providing specifically for the incorporation and operation of farmers' cooperative marketing associations.

AMERICAN COTTON ASSOCIATION

An important factor in the development of cooperative cotton marketing was the organization in May, 1919, of the American Cotton Association, a south-wide association of farmers, bankers, merchants, warehousemen, and others interested in promoting and protecting the interests of the cotton growers. The first annual meeting of this association, held at Montgomery, Ala., April 13 and 14, 1920, was attended by delegates from every cotton-producing State and by representatives from the United States Department of Agriculture, State colleges of agriculture, State departments of agriculture, and leading men in the cotton industry. At this meeting a committee of 24 men was appointed to work out and recommend plans for the establishment of cooperative marketing among cotton producers. This committee reported in September, 1920, at a second meeting in Montgomery, when resolutions were adopted to the effect that the plan submitted be put into effect throughout the Cotton Belt. The plan, which involved the formation of local associations and their subsequent federation, was published and given wide publicity, but failed to arouse the action recommended.

CONTEMPORARY ORGANIZATIONS[1]

OKLAHOMA COTTON GROWERS' ASSOCIATION

The Oklahoma branch of the American Cotton Association had 21 delegates at the meeting at Montgomery, Ala., April, 1920. These delegates returned home enthusiastic about the possibilities of cooperative marketing and much impressed with the idea of organizing an association modeled along the lines of certain dried-fruit organizations in California.

They did not wait for the report of the American Cotton Association's Committee on Cooperative Marketing, but at a meeting, May 10 and 11, appointed a special committee of their own to draft a cooperative-marketing plan. The plan submitted by this committee of six contemplated local organizations to class, warehouse, and sell cotton, eventually combining into county and then federating into a state-wide association. Like the plan later submitted by the committee of the American Cotton Association, this report did not arouse enthusiasm. The special committee then planned a state-wide organization such as had been outlined in an outstanding address at the general meeting at Montgomery. This plan, when worked out, was approved at a meeting June 1, 1920. At a subsequent mass meeting, attended by delegates from 32 counties, the scheme of organization and the proposed long-term marketing contract were explained in detail and approved. At the same meeting a permanent organization committee was formed.

The organization committee immediately began an educational campaign to acquaint the people of the State with the plans and purposes of the proposed association. Indorsements were obtained from influential organizations of the State, including the Grange, the Farmers' Union, and the State bankers' association. It was proposed that an extensive publicity campaign be conducted, but inasmuch as this involved an estimated cost of $50,000 it was abandoned. In fact, financing actual organization activities was an early problem of the committee.

[1] Wide indebtedness is acknowledged for facts and suggestions incorporated in this and subsequent chapters, particularly to the associations and the American Cotton Growers' Exchange. Figures given in both tables and text were obtained from either the associations or the exchange. Charts were furnished by the exchange and the North Carolina association, and photographs by the Oklahoma and Texas associations.

Finally, with the aid of the extension division of the Agricultural and Mechanical College, a plan was proposed which provided for a central organization committee, county committees, and organization teams in every community. Meetings were held in schoolhouses, and the team workers personally visited the cotton growers in their respective communities. The county agents advised in perfecting the organization machinery, in arranging meetings, and otherwise facilitating the work of the organizers. Special membership campaigns, called "drives," were conducted by counties and throughout the State.

The date set for beginning the membership campaign was December 1, 1920, but prior to this time many contracts had been signed. Early in October organization work had been started in Jackson and Grady Counties, mainly as a test of both the efficiency of the organization machinery and the sentiment of the cotton growers. By January 1 approximately 5,000 farmers had signed the organization agreement and marketing contract. On March 28 a state-wide drive was begun and during the week it lasted it was estimated that several thousand farmers took part in soliciting members. When the membership campaign closed on April 1, 1921, a full month before the established closing date, it was found that 35,000 members had been obtained at a cost of approximately $3 per member. The contracts signed represented over 400,000 bales, on the basis of 1919 production, or 100,000 bales above the minimum sign-up necessary for the agreements to become binding.

Following the close of the successful membership campaign, a temporary board of directors was named and the association was incorporated under Oklahoma laws, April 26, 1921. A permanent board of directors was elected on May 23, the members voting by mail. The board consisted of 11 directors, 1 from each of 10 designated districts of approximately equal production, and 1 being named by the president of the State board of agriculture for the purpose of representing the interests of the general public. The first directors' meeting was held May 25 and 26. Offices were established in Oklahoma City. The first bale of cotton was delivered August 18, 1921.

The association financed its first year's operations, not without some difficulty, with loans from Oklahoma banks and from the War Finance Corporation, borrowing approximately $3,000,000 from the former and $2,500,000 from the latter. The average amount advanced to members on delivery was $50 per bale. This was followed by a second payment of $10 per bale in February, and a third payment of $20 per bale was made on three pools in March, at which time the association had sold about two-thirds of its cotton. Although only about one-fourth of the expected volume of cotton had been received, the first season's total business amounted to $8,400,000 when final settlement was made on July 8, 1922.

STAPLE COTTON COOPERATIVE ASSOCIATION

Prior to the Montgomery meeting of the American Cotton Association a cooperative-marketing plan had been proposed for the growers of long-staple cotton in the Yazoo-Mississippi Delta. It was abandoned, however, in favor of the same general plan for a centralized nonstock, nonprofit organization that had so appealed to the leaders of the movement in Oklahoma.

The plan of the proposed centralized association and the contract which had been prepared were explained to the growers and the public at three general meetings in the delta in the summer of 1920. An organization committee of 3 men, with authority to increase the number to 18, was formed in July. This committee of 18 later became the organizing directors, and eventually the elected directors of the permanent association.

Beginning in the summer of 1920, the membership campaign continued over a year, until September 1, 1921. At its close 1,800 contracts had been signed, representing 216,000 bales of cotton based on the average of production for the years 1916 to 1919, inclusive. The minimum quantity specified in the contract was 200,000 bales.

The association was incorporated under the laws of Tennessee on May 23, 1921, several months prior to the close of the campaign. It established an office at Greenwood, Miss., in July, and was in operation in August, 1921.

Twenty-one men compose the board of directors, 18 of these being grower-members elected by the membership, and 3 being bankers nominated by organized banking groups in the staple-cotton districts of Mississippi, Arkansas, and Tennessee to represent the interest of the general public. Five men of this group compose the executive committee.

The membership is composed largely of growers of long-staple cotton in Mississippi, but includes some members in the delta sections of Tennessee and Arkansas. There are six voting districts. Local offices are maintained at 13 receiving points in the delta, each in charge of a local manager. The association has sales representatives in the Carolinas, New England, Liverpool, and on the continent.

The Staple Cotton Cooperative Association is not a member of the American Cotton Growers' Exchange and is not affiliated in any way with any other organization. It was not promoted by any organized farm group and did not seek the aid of such groups during the campaign. The leaders of the movement and the present directors of the association have maintained that their association is a delta organization, controlled exclusively by delta men, and for the promotion of delta interests. They have taken the position that because of the association's peculiarly local character it should not be closely connected with outside organizations.

In its four years of operation the association has handled a total of over 550,000 bales of cotton, with an actual value of over $80,000,000.

ARIZONA PIMA COTTON GROWERS

Following the severe decline in cotton prices in the 1920–21 season, the Arizona American Egyptian Cotton Association sponsored the movement which resulted in the formation of the Arizona Pima Cotton Growers.

There were 86 men on the organization committee, which was formed at Phoenix after a series of group meetings at different points in the Salt River Valley. The membership campaign began in the spring of 1921 and ended July 13, 1921. No minimum number of bales was established as a goal, but the committee planned to obtain contracts covering 26,345 of the 54,690 acres planted in cotton in the valley, or one-half of all the acreage not under control of tire companies. The 713 contracts obtained by July 13 represented 27,153 acres.

The organization was incorporated in Arizona, July 13, 1921, and directors were elected on the same date. The board of directors is composed of representatives from the 14 voting districts, 5 directors at large, and 2 public directors. The Governor of Arizona and the Maricopa County Bankers' Association each appoints one of the public directors. An office was established at Phoenix and the association began to receive cotton in September.

In 1923, as a result of high ginning rates and low prices for cottonseed, a subsidiary company was formed, the Arizona Cotton Processing Co., all of the common stock being owned by the Arizona Pima Cotton Growers. To this company the association loaned its reserves, amounting to about $90,000, and the company in turn purchased a one-fourth interest in the Mutual Cotton & Oil Co., a local corporation owning about 15 gins and 2 oil mills. The Arizona Cotton Processing Co. for this one-fourth interest paid $60,000 in cash and executed notes for $75,000 and $43,000.

TEXAS FARM BUREAU COTTON ASSOCIATION

When the Texas Farm Bureau Federation was formally organized in June, 1920, there were several large farmers' organizations in the State, including the Farmers' Union and the Texas division of the American Cotton Association. Another organization was the United Cotton Growers of America, an association which had its beginning at Corpus Christi in 1919, and which was actively engaged in 1920 in a membership campaign. Although this organization had not engaged in business, its stated purpose was to market cotton. Local branches had been formed in several southwestern Texas counties, and in October, 1921, the organization reported a total membership of 3,000 persons, representing 70,000 bales of cotton.

Soon after the formation of the Texas Farm Bureau Federation, an agreement was entered into whereby the Texas division of the American Cotton Association became a branch of the farm bureau. Close working relations were established with the Farmers' Union and the United Cotton Growers of America, and at a meeting of the representatives of the four organizations, held November 16, 1920, plans were made for the immediate organization of a state-wide cotton-marketing association. A committee of 21 was named by the Farm Bureau Federation, December 13, to develop plans and carry on organization work under its auspices.

The committee met in Dallas in December, 1920, and remained in session for one week. It adopted, with minor changes, the same plan which had been approved and adopted in Oklahoma, where organization activities were then beginning. The plan was also given general approval at the first annual convention of the Texas Farm Bureau Federation in Dallas, January 26–27, 1921.

The membership campaign began March 1, the agreement stipulating that the contracts signed would be effective if the signatures obtained by July 1, 1921, represented 1,000,000 bales. In the event the quantity signed should be less than 1,000,000 and more than 500,000 bales, the agreement provided that signers should have the right to cancel or withdraw their membership. The goal of the committee was, therefore, 1,000,000 bales; the minimum sign-up necessary for organization, after the right of withdrawal had been exercised, 500,000 bales. The membership fee was $10, with the understanding, as the result of agreement between the Texas Farm Bureau Federation and the United Cotton Growers of America, that in consideration of their promotional activities the members of their organizations might join the association without the payment of this fee.

The committee was given active assistance by approximately 50 county farm bureaus. In June, the State Farm Bureau Federation had 125 paid solicitors at work. The Texas Bankers' Association indorsed the movement and appointed a committee to assist in the sign-up campaign. When it closed on the date specified, 19,146

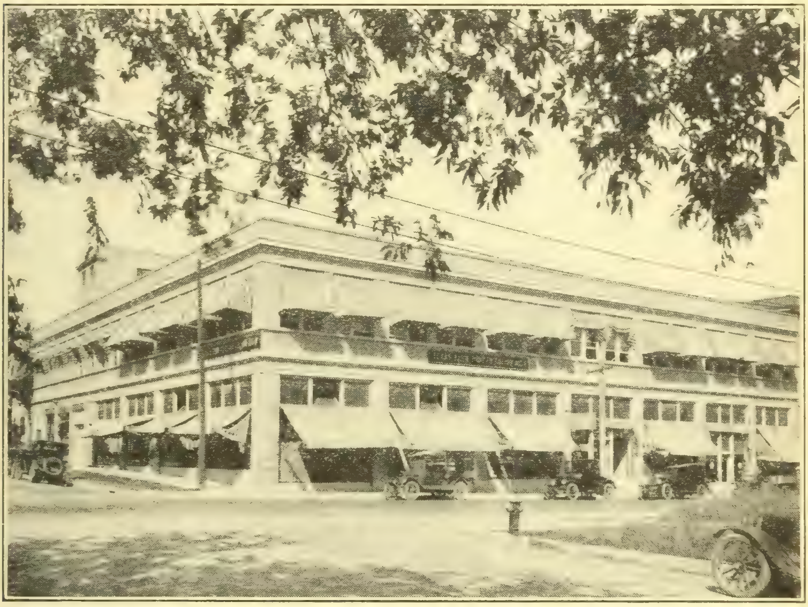

FIG. 1.—Headquarters of the Texas Farm Bureau Cotton Association, Dallas, Tex. This property, owned by the association, is valued at $171,250

contracts had been signed, representing more than 600,000 bales on the basis of 1920 production.

Inasmuch as the sign-up was less than the 1,000,000 bales agreed upon, signers were given an opportunity to cancel their contracts. The committee, however, believed that cancellation would not reduce the number of bales under 500,000, and they proceeded to effect permanent organization. The association was incorporated in Texas, July 27, 1921. Twenty-three directors composed the board of directors, 20 of these representing the membership of the 20 districts of the association, and 3 being appointed, respectively, by the Governor of Texas, the president of the State agricultural and mechanical college, and the president of the State Farm Bureau Federation. Five of this group were named as an executive committee. An office was established in Dallas (fig. 1), and the association was ready for business in September, 1921.

ARKANSAS FARMERS' UNION COTTON GROWERS' ASSOCIATION

In the winter of 1920–21 leaders of the Arkansas Farmers' Union became interested in the possibilities of organizing a cooperative cotton-marketing association according to the plan which was then attracting south-wide attention. As a result of the decision to organize such an association, exclusively for the benefit of members of the Farmers' Educational and Cooperative Union, the president of the union appointed an organization committee in April. There were 18 men on the committee, including the advisory council of the Farmers' Union, composed of 5 men, and 13 other members of the organization. The committee began work immediately. July 30, 1921, was the date set for the close of the campaign, and the minimum number of bales to be obtained by that date, based on 1920 production, was 40,000.

The minimum stated in the organization agreement was not obtained by July 20, but the campaign was continued under certain provisions in the agreement which permitted continuation at the discretion of the committee. At the annual State meeting of the Arkansas Farmers' Union, August 2, 1921, it was found that about 3,500 signers, representing approximately 20,000 bales, had not exercised their withdrawal privilege, or had signed the contract since July 20. Permanent organization was decided upon. Articles of incorporation and by-laws were drawn up and approved at a meeting on October 7, and the association was formally incorporated under the laws of Arkansas on October 31, 1921.

The board of directors is composed of 16 men, representing the 16 voting districts of the association. Unlike most of the associations formed on a similar plan, no provision is made for the appointment of public directors. The membership of approximately 4,000 is located in about 50 of the 54 counties of the State in which the Farmers' Union has members, the area of most concentration reported to be the section in the vicinity of Fort Smith. Headquarters are maintained at Little Rock.

Although the association is of the state-wide, centralized type with a contract generally similar to the other associations of the group, it does not operate in all respects according to the generally accepted principles and policies of the group. It is not a member of the American Cotton Growers' Exchange and is not affiliated in any way with other organizations, except the parent organization. It was sponsored and organized solely by the Farmers' Union during the same time that the State farm bureau was organizing the Arkansas Cotton Growers' Cooperative Association.

NORTH CAROLINA COTTON GROWERS' COOPERATIVE ASSOCIATION

Representatives of the North Carolina branch of the American Cotton Association and the organization committee of the proposed Tobacco Growers' Cooperative Association, held a joint meeting at Raleigh, January 26, 1921, to perfect plans for organizing cooperative marketing associations for cotton and tobacco. The meeting was attended by several hundred growers, bankers, business men, extension workers, and agricultural leaders, many of whom had attended previous meetings at which the so-called commodity plan of cooperative marketing had been discussed.

At this joint meeting the plan and contract were approved and it was agreed that separate organizations would be formed simultaneously, the organization committees for each of the two commodities cooperating in obtaining membership in those localities producing both cotton and tobacco. The organization committee for the cotton association was named by the North Carolina division of the American Cotton Association and consisted of 15 men.

January 1, 1922 was the date fixed for the close of the sign-up campaign, and the minimum number of bales was placed at 200,000, on the basis of 1920 production. The work of soliciting members began in March, and before September 1 the signed contracts ex-

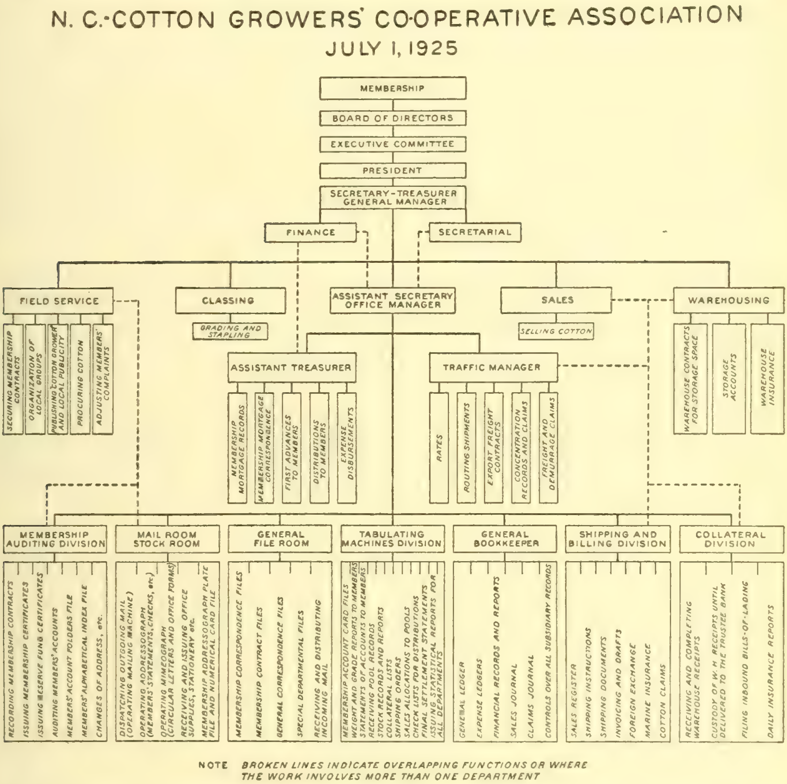

FIG. 2.—The organization of the North Carolina Cotton Growers' Cooperative Association, showing the functions performed by the different operating departments

ceeded the established goal. By January 1 contracts had been signed by 26,000 growers, representing 340,000 bales.

The association was incorporated in North Carolina February 8, 1922. Ten men were elected directors from the 10 voting districts into which the State had been divided, and an eleventh director was nominated by the governor of the State in accordance with provisions in the association agreement for public representation on the board. Five directors were named as an executive committee. Officers were elected, the various operating departments were organized, and offices were established at Raleigh. It began receiving cotton September 15, 1922. (Fig. 2.)

ARKANSAS COTTON GROWERS' COOPERATIVE ASSOCIATION

On January 17, 1921, delegates from county farm bureaus met at Hope, Ark., for the purpose of forming the Arkansas Farm Bureau Federation. At this meeting approval was given to the plan of organizing a cooperative cotton-marketing association along the lines of the one then in process of organization in Oklahoma. Later, the executive committee of the newly formed State farm bureau called a mass meeting of cotton growers at Little Rock, March 22, 1921, at which the plan was formally adopted and an organization committee named.

The Arkansas Farm Bureau Federation sponsored the movement and assumed the leadership in the organization campaign. Under an arrangement somewhat similar to that previously adopted in Texas, no membership fee was required from farm bureau members. The minimum quantity of cotton to be obtained in the membership campaign was placed at 200,000 bales, on the basis of 1920 production, and the time limit specified in the marketing agreement was January 1, 1922. The contracts signed by that date by 5,500 growers represented 211,000 bales. The association was incorporated under the Arkansas cooperative marketing act on February 25, 1922. Headquarters were established at Little Rock.

The board of directors consists of 23 men, 20 being elected by the membership in the 20 established voting districts, and 3 being appointed, one each by the governor of the State, the dean of the college of agriculture, and the commissioner of the State department of mines, manufactures, and agriculture.

Following the organization of similar associations in Tennessee and Missouri in 1923, and in Illinois in 1924, the Arkansas association entered into an agreement whereby it became the sales organization, on an actual cost basis, of these three relatively small associations.

SOUTH CAROLINA COTTON GROWERS' COOPERATIVE ASSOCIATION

A number of regional meetings were held in South Carolina in April, 1921, for the purpose of discussing cooperative marketing and of interesting farmers in the organization activities in other cotton-producing States. At these meetings, which were called by the director of the Agricultural Extension Service of Clemson College and the South Carolina division of the American Cotton Association, delegates were named to represent respective sections of the State at the semiannual meeting of the South Carolina division of the American Cotton Association at Columbia, May 3, 1921.

The association agreement and marketing contract were indorsed at the Columbia meeting. An organization committee of 21, the members of which had been named at the regional meetings, directed the membership campaign. The campaign began on July 19 in Marion and Spartanburg Counties, under the leadership of the agricultural extension service and the State division of the American Cotton Association. It continued until May 1, 1922, at which time 9,981 growers had signed contracts representing 415,871 bales, or more than the established minimum of 400,000 bales on the basis of 1920 production.

The association was incorporated in South Carolina on June 16, 1922. On the same day directors were elected from each of the 10 established voting districts. An eleventh director was named by the governor of the State. Headquarters were established at Columbia.

GEORGIA COTTON GROWERS' COOPERATIVE ASSOCIATION

The State bureau of markets was largely responsible for the movement to organize the cotton growers of Georgia. At a mass meeting at the State capital in April, 1921, the plan was submitted and an organization committee named, with the chairman having authority to increase the personnel of the committee. The organization campaign began in April, with January 1, 1922, as the time limit, and 300,000 bales the minimum to be obtained.

The early campaign failed to arouse the interest necessary for its successful culmination. Finally, the members of the committee resigned, with the exception of the chairman, who named a new committee of 17 members. The time limit was extended to April 1, 1922, and the minimum required was reduced to 200,000 bales. The second campaign, which began in January, 1922, was vigorously conducted and when it closed at the stated time 12,500 growers had signed contracts representing 240,000 bales.

The association was incorporated in Georgia on June 27, 1922. The State had been divided into 20 districts, and representatives from each of these districts, together with three public directors, composed the board of directors. The public directors are named, one each by the commissioner of agriculture, the director of the State bureau of markets, and the president of the State college of agriculture. Headquarters are maintained in Atlanta.

ALABAMA FARM BUREAU COTTON ASSOCIATION

The director of the extension service of the Alabama Polytechnic Institute called a meeting at Auburn in January, 1921, which was the beginning of the farm bureau movement in the State. The cotton association, which was planned from the beginning of the movement, was the direct culmination of numerous conferences and meetings held from time to time during its organization.

The farm bureau sponsored the plan to organize a state-wide association and named a committee of 25 at a meeting in Montgomery in February, 1922. The sign-up campaign began in April and ended June 17 with 11,380 contracts, representing 169,000 bales. The minimum to be obtained was 100,000 bales. No membership fee was charged farm bureau members.

The association was incorporated in Alabama July 1, 1922, and began receiving cotton in August. A primary election had been held June 14, and the general election of directors on June 26. The personnel of the board of directors consists of elected representatives from 14 voting districts and 2 public directors nominated by the president of the Alabama Polytechnic Institute. Headquarters are maintained at Montgomery.

LOUISIANA FARM BUREAU COTTON GROWERS' COOPERATIVE ASSOCIATION

The Louisiana association was organized under the leadership of the State farm bureau federation. The organization committee of 33 was named by the farm bureau in May, 1922. Although some contracts were signed as early as July, the intensive sign-up campaign did not begin until October. When it ended on January 1, 1923, the 5,230 contracts obtained represented 83,500 bales, on the basis of 1922 production. The minimum necessary for the contracts to be binding had been fixed at 75,000 bales. Members of the farm bureau were exempted from the payment of membership fees. Organizations assisting in the campaign included also the American Farm Bureau Federation, the State extension service, and Louisiana State University.

The association was incorporated in Louisiana on February 24, 1923. Directors were elected from the 15 established districts, and the Governor of Louisiana, the dean of the college of agriculture, and the State commissioner of agriculture each named an additional director. The main office was established at Shreveport. In June, 1924, the sales and classing offices were moved to New Orleans.

MISSISSIPPI FARM BUREAU COTTON ASSOCIATION

The cotton-marketing association organized in Mississippi under the direction of the State farm bureau federation covers the so-called hill section of the State, as the Staple Cotton Cooperative Association covers the delta section. Agitation for its organization had begun in the spring of 1922, when the farm bureau was organized. The extension service of the agricultural and mechanical college and the chambers of commerce in the State were active in aiding the movement.

An organization committee of 16 was named by the farm bureau at a meeting in Jackson, May 8, 1922. The membership campaign began October 15 and ended on December 23. Contracts signed numbered 11,773, representing 108,639 bales, or 8,639 more than the required minimum.

The association was incorporated under Mississippi laws on March 30, 1923. The board of directors had been elected and met for the first time on February 13. Ten members of the board represented the 10 districts of the association and the eleventh director had been named by the president of the agricultural and mechanical college. The main office was established at Jackson.

TENNESSEE COTTON GROWERS' ASSOCIATION

Agitation for a cotton-marketing association in Tennessee began in the spring of 1922, and culminated in a meeting at Jackson in December, called by the extension service of the college of agriculture. An organization committee of 20 members was selected at this meeting.

The membership campaign began January 1, 1923, and ended April 15. Contracts were obtained from 6,000 growers in 26 counties, representing approximately 70,000 bales of cotton on the basis of 1922 production, more than the 60,000 bales established as a minimum. The association assumed the expense of organization under an arrangement whereby the Tennessee Farm Bureau Federation agreed to refund $10,000 of the amount expended before the expiration of the five-year contract. Money to defray immediately the organization expense was borrowed by the association from a Memphis bank, from several county farm bureaus, and from individuals.

The association was incorporated in Tennessee June 4, 1923. The board of directors was formed by the election of 10 men representing the 10 voting districts, and 1 public director selected by the president of the University of Tennessee and the State commissioner of agriculture. The main office was established at Memphis. Arrangements were made with the Arkansas Cotton Growers' Cooperative Association for the handling of its cotton, including pooling, financing, selling, and clerical work, on a cost basis.

Beginning with the 1925-26 season the Tennessee Cotton Growers' Association plans to have its own operating departments, with the exception of sales. In selling it will use exclusively the sales service of the American Cotton Growers' Exchange.

MISSOURI COTTON GROWERS' COOPERATIVE ASSOCIATION

The farm bureau organization in Missouri sponsored the movement which led to the formation of the Missouri Cotton Growers' Cooperative Association.

The membership campaign began February 1, 1923, under the direction of an organization committee of 11 men who had been named at a state-wide convention of cotton growers. It closed May 15, 1923, with 470 contracts signed, representing 12,121 bales on the basis of the 1923 crop, or some 2,000 bales more than the 10,000-bale minimum which had been agreed upon.

The association was incorporated in Missouri, July 11, 1923. A board of directors was elected, composed of nine men from the nine voting districts which had been established to include the cotton-producing area of the State. Three directors were named as an executive committee. Headquarters were established at New Madrid.

The association's sales, clerical work, and financing are handled on a cost basis by the Arkansas Cotton Growers' Cooperative Association.

ILLINOIS COTTON GROWERS' COOPERATIVE ASSOCIATION

In 1924, cotton growers in five counties of southern Illinois organized the Illinois Cotton Growers' Cooperative Association, with 21 members. The membership campaign began July 22, and closed September 13, 1924. Although the minimum fixed in the campaign was 1,500 acres of the 1924 crop, the association was formed on the basis of 800 acres signed up at the close of the campaign.

The movement for cooperative marketing was urged by a number of progressive farmers. They were given encouragement and assistance in organizing by the five county farm bureaus in the cotton-producing area. Nine men composed the organization committee.

The association was incorporated in Illinois October 8, 1924. Offices were established at Mound City, and arrangements were made with the Arkansas Cotton Growers' Cooperative Association to handle its operating and selling functions on a cost basis.

There are six voting districts in the association, each being represented by one man on the board of directors. There is one director at large, elected at the annual meeting of the members. The executive committee is composed of three directors appointed by the board.

OTHER ASSOCIATIONS

There are a number of other farmers' associations, not included in this discussion, which market cotton as their sole or partial activity. Some of these are of the local one-community type, some combine features of both the local and centralized types, and some might be classified as all-purpose organizations. The McLennan County Farm Association and the Pecos Valley Cotton Growers' Association are examples of the local type. The Farm-Labor Union of America and the United Farmers of America are examples of general farm organizations engaging in marketing cotton.

The McLennan County Farm Association, Waco, Tex., organized in 1920, is an incorporated capital-stock organization. A licensed cotton classer is employed and a bonded warehouse is operated. Cotton is classed and sold for both members and non-members on a brokerage basis, the selling charge being 50 cents per bale for members and $1 per bale for nonmembers. The association, which has not operated on a contract basis heretofore, presented to its members, beginning in March, 1925, a three-year contract to be effective only in the event that the production represented by signers totals 20,000 bales. The contract contains an annual withdrawal clause and provides for 1 cent per pound liquidated damage for nondelivery.

The Pecos Valley Cotton Growers' Association, Roswell, N. Mex., was organized in 1924. It has 330 members in Chaves County. No membership fee is required and members may resign at any time. Cotton is sold only when ordered sold by the owner, and under certain conditions the owner may sell it himself. During the first season, 1924–25, the charge for marketing service, including the expense of insurance, was $1.50 per bale. The management plans to extend its territory in the 1925–26 season so as to include members in other counties.

The Farm Labor Union of America, Texarkana, Tex., was organized in 1920. It maintains a national selling agency at Dallas and compress district selling agencies at other points. Cotton may be sold by members through their local grader-salesmen, either separately or combined in one lot, or it may be sold through the national agency. With the expectation of making some changes in its marketing plan, an agency contract was adopted in 1925 for presentation to its members.

The United Farmers of America, Blytheville, Ark., handles cotton for its members through local or county business agents, or through its central office. An office is maintained where samples are classed and displayed. In addition to cotton it sells other farm products, including hay, corn, and livestock.

AMERICAN COTTON GROWERS' EXCHANGE

The need for an overhead organization to coordinate the activities of the several state-wide cotton marketing associations was anticipated from the beginning of the movement. One of the provisions written into the marketing agreements of the State associations authorized cooperation with similar associations in establishing and maintaining a central organization.

The American Cotton Growers' Exchange was tentatively formed at a meeting in Oklahoma City, Okla., April 18, 1921, attended by

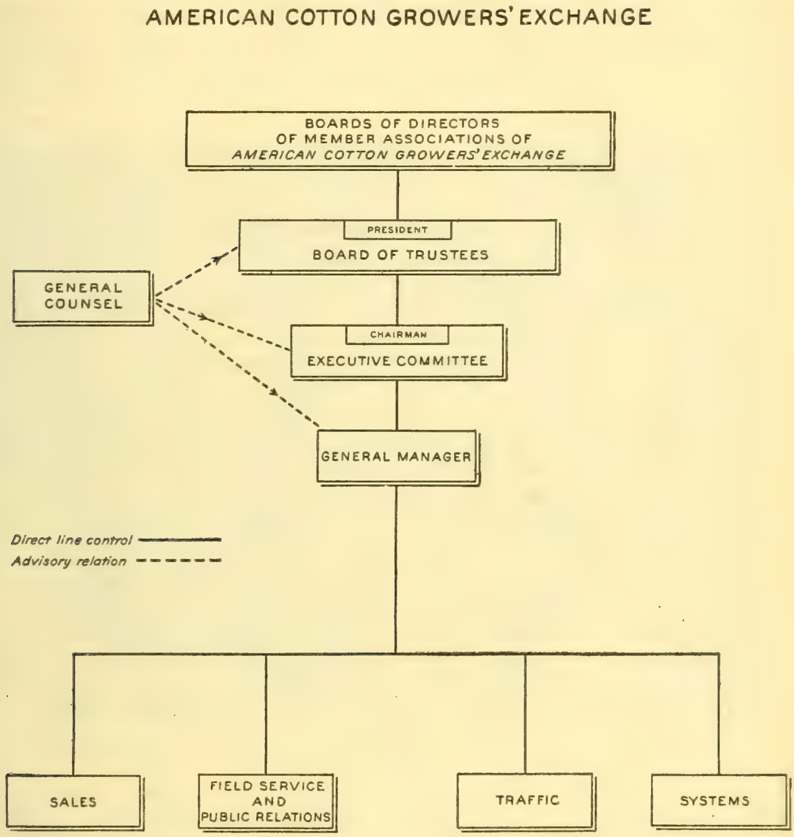

FIG. 3.—The operations of the American Cotton Growers' Exchange are controlled by the member associations, acting through a board of trustees

representatives of the Oklahoma, Arizona, Texas, and Mississippi Delta associations. A number of agricultural leaders from Arkansas, Georgia, and North Carolina were also present. The agreement as then submitted was tentatively approved by the Oklahoma, Arizona, and Texas representatives. At a later meeting in Memphis, August 1, 1921, after a few changes had been made in the agreement, it was ratified by the boards of directors of the three associations. One of the changes modified the original plan to centralize sales in the overhead organization.

The exchange is a nonstock, nonprofit, unincorporated association. It has neither constitution nor by-laws, the agreement drawn up and entered into by the member organizations being the only official document authorizing its existence and explaining its relationship to the member associations. The cost of maintaining it is prorated among the member associations on the basis of the gross proceeds from the sale of cotton delivered each season, regardless of whether the cotton is actually sold by the associations' own sales department or by the general sales office of the exchange. This cost has amounted annually to approximately 30 cents per bale.

The exchange is governed by a board of trustees consisting of three members from each State association. They are chosen annually, and meet several times during the year. Immediate direction of its operations is delegated to an executive committee, composed of one man from each member association, usually the president or general manager. This committee ordinarily meets once a month. The officers are a president, a vice president, a secretary-treasurer, and general manager. Headquarters were first established at Dallas, Tex., with the general sales office at Atlanta, but in July, 1924, the two offices were consolidated and moved to Memphis, Tenn. Figure 3 shows the plan of organization and control.

At the time the exchange was formed it was contemplated that 12 departments would be organized, as follows: (1) Executive and administrative, (2) office management, (3) grading and standardizing, (4) warehousing, (5) insurance, (6) transportation, (7) finance, (8) statistics, (9) sales of ordinary cotton, domestic and foreign, (10) sales of staple cotton, domestic and foreign, (11) legal, and (12) field service. Two departments were organized, and they functioned the first year—the legal and the field service. Departments now organized and functioning are legal, sales, systems, traffic, and field service and public relations. Some of its activities are handled by committees, such as the finance committee, which made arrangements in one instance for a line of credit with eastern bankers for loans to member organizations of $100,000,000.

In addition to its general sales office at Memphis, the exchange maintains its own selling offices at Boston, Fall River, New Bedford, and Providence, in New England; Charlotte, Greensboro, and Greenville, in the Carolinas; and at Barcelona, Spain; Bremen, Germany; Havre, France; Liverpool, England; and Kobe, Japan. It has brokerage connections in other important markets. It does not practice pooling, but sells on individual account for each member association, to which it furnishes as a part of its service statistical information and advice on cotton-market conditions. Although each association has its own sales department and several of them have their individual sales offices and representatives in domestic market centers, the general sales office supplements their individual activities in domestic markets and handles a large part of the export sales. Figure 4 shows a shipment of type samples to its foreign offices.

In the several years of its operations the exchange has sold over one-fourth of the cotton handled by its member associations. In the 1922–23 season it sold 140,748 bales; in 1923–24, 257,713 bales; and in 1924–25, 315,058 [2] bales. Of this quantity about one-half was

[2] To June 25, 1925.

sold through domestic offices, and about one-half through foreign sales offices. Of the domestic sales approximately one-third of the cotton went to New England, and approximately two-thirds to southern mill markets. In the Carolinas sales to mills are made largely through exchange salesmen, whereas in other domestic spinners' markets sales are principally to merchants.

The advisability of all member associations selling their cotton exclusively through the exchange has been under consideration at different times. There are arguments for and against such a proposal. Undoubtedly the concentration of sales activity in one central agency would result in a reduction in selling expense and in the elimination of competition between associations. On the other hand, a certain amount of intelligent competition is often conducive to a healthy condition in cooperative organizations. There are certain

Fig. 4.—A shipment of types from a member association to foreign representatives of the American Cotton Growers' Exchange

dangers in overcentralization, particularly in farmers' cooperative enterprises, that may more than offset the advantages. If the exchange can sell cotton to a better advantage than the State association, other things being equal, its superior service should eventually bring about greater concentration and less expense in selling without further centralization of control.

Under the present plan of organization the exchange is successfully carrying out the purpose for which it was created, that of a national overhead organization operating as a service and coordinating agency by and for the state-wide or regional associations organized on a uniform plan. In its first two years it assisted the organizing States, particularly Arkansas, Georgia, Alabama, Mississippi, and Tennessee, by furnishing plans, advice, experienced organizers, and speakers for campaigns. Its several functioning departments have contributed much to standardizing and increasing the efficiency of operating units in the several associations. Some of its most important work has been of an intangible nature, but not less valuable because of inability to measure it accurately in dollars and cents.

All of the group of cooperatives shown in Table 1, page 1, with the exception of the Staple Cotton Cooperative Association and the Farmers' Union association in Arkansas, are members of the exchange, each becoming a member immediately after organization by ratification of the original agreement.[3] In the 1924–25 season the member associations had over 275,000 grower members and handled almost 1,000,000 bales of cotton.

PRINCIPLES AND POLICIES

THE ASSOCIATION AGREEMENT

During the organization of each association cotton growers were asked to sign both an association agreement and a marketing contract. In some States these were separate documents, and in others both were included in the same document, but under their respective headings.

The agreement described the proposed association, its purposes, principles, the plan of organization, the plan of operation, requisites for membership, etc. In other words, it was an agreement setting forth the facts and conditions under which the growers became members and under which their signatures became binding. One of the conditions was that a certain minimum number of bales would be under contract by a definitely named date. In the event that contracts signed on or before the date specified did not equal or exceed this minimum, based on the previous production of the signers, the signatures would not be binding. If, however, the minimum number of bales should be obtained within the time limit, as determined by the organization committee, it provided that the "agreement shall be binding upon all the subscribers in all its terms when so secured, and there shall be no right of withdrawal whatsoever."

THE CONTRACT

A uniform contract, called "the marketing agreement," describes in considerable detail the obligations of the contracting parties, their rights and privileges, and the general procedure agreed upon in carrying out its terms. It was designed to assure a definite volume of business, to provide a basis for financing, to prevent disruption caused by the desertion of disloyal members, and to give stability and permanency to the organization.

The contract is between the individual member and the association, with the understanding that each individual contract "is one of a series generally similar in terms, comprising with all such agreements, signed by individual growers, or otherwise, one single contract between the association and the said growers, mutually and individually obligated under all the terms thereof." It specifically transfers title in a purchase-and-sale clause and provides for deliv-

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[3] The Illinois association is not directly represented on the board of trustees of the exchange, but is indirectly connected with the exchange through its marketing agreement with the Arkansas association.

ery by the member of all cotton produced or acquired by him during the years specified therein. In the event of nondelivery it provides for the payment of liquidated damages, the amount being $10 per bale in the Arkansas Farmers' Union association, 10 cents per pound in the Staple Cotton Cooperative Association,[4] 5 cents for short-staple upland and 10 cents for long-staple Pima in the Arizona association, 3 cents per pound in the Georgia association, and 5 cents per pound in all others. It also specifies that the association is entitled to an injunction to prevent breach of contract, and to a decree of specific performance to compel delivery. Its validity has been generally established by the courts of the several States. Apparently it is all that is implied in the commonly used terms "ironclad," "water-tight," and "legally binding."

The first series of contracts are in every case long-term contracts. In the Oklahoma association seven years was the period specified; in all others five years. As these contracts, which are all noncancellable, expire, it is expected that each of the associations belonging to the American Cotton Growers' Exchange will adopt as its second series a contract generally similar in terms and for a five-year period. Such a contract has been adopted recently by the Texas Farm Bureau Cotton Association, which began its second campaign in March, 1925, to obtain members for the years 1926 to 1930, inclusive.

The renewal marketing agreement adopted by the Staple Cotton Cooperative Association, effective for the years 1925 to 1930, does not follow the original contract in a number of its major provisions. Among other fundamental changes it permits members to withdraw in any year upon their written notice to the association prior to the second Wednesday in May.

Students of cooperative marketing are generally agreed that contracts between members and their associations are desirable and, in most instances, essential to success. This is particularly true in large associations of the centralized type and during the period of time necessary to demonstrate their economic benefits. However, there is a difference of opinion regarding the provisions and the use of contracts. Many believe that a long-term contract, even longer than five years, is desirable; but that such contracts should have a clause permitting withdrawal at certain periods at the option of the member. Results obtained by the Staple Cotton Cooperative Association under its renewal marketing agreement, and by the several California organizations that have recently incorporated the withdrawal feature in their contracts, when compared with those operating with a noncancellable agreement, should provide in time a valuable experience upon which to base future contracts in centralized cooperatives.

The fact that there is so much discussion regarding marketing contracts is partly because the intensive use of such contracts is a relatively new development in cooperative marketing. Also, too much emphasis has been placed on its efficacy as a legal weapon to enforce delivery. With a growing recognition of the weakness in any scheme or attempt to operate a cooperative organization on a

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[4] This is reduced to 5 cents per pound in the renewal marketing agreement, effective for the years 1925 to 1930.

legalistic basis, emphasis no doubt will be placed properly on the contract as a business instrument essential in the conduct of business activities and not as a legal substitute for service in maintaining membership loyalty.

THE MEMBERSHIP

The Staple Cotton Cooperative Association limits its membership to the delta area of Mississippi, Arkansas, and Tennessee. The Arkansas Farmers' Union association restricts membership to Farmers' Union members. In all other associations of the group the territorial limitations are the State boundaries and any growers therein may join.

In its first sign-up campaign the Staple association had a membership fee of 25 cents per bale, with a $10 minimum. The Farmers' Union association and the North Carolina association adopted a membership fee of $3; the South Carolina and Georgia associations, $5; and the others $10. In both North Carolina and Georgia the fee was later changed to $10. In its renewal contracts the Texas association requires no membership fee from present members, and the Staple Cotton Cooperative Association has entirely eliminated it.

In all associations membership is limited to cotton growers, "including the landlord or tenant or lessor or lessee of land on which cotton is grown, provided the landlord or lessor receives all or part of the rental in cotton." By thus limiting membership to producers and by eliminating nonmember business, a certain unity of interest is assured that is impossible to attain in cooperative marketing associations which include as members, growers, dealers, and others having varied interests in the commodity or the industry. Many associations of the latter type have been wrecked as a result of the conflicting interests of the members and by control becoming concentrated in the hands of individuals not primarily producers. Although there is nothing in the agreements of the cotton cooperatives that excludes buyers and merchants, provided they are also growers, they are in the minority and can not as a minority group control the associations under the present voting plan.

DEMOCRATIC CONTROL

The territory covered by each association is divided into districts, the number varying from 6 to 20 in the several associations. These are primarily voting districts, and are therefore made approximately equal on the basis of estimated production rather than geographical area. In accordance with the by-laws, redistricting occurs from time to time in order to maintain a fair and equitable representation of the total membership.

Prior to the annual election of directors the members in each county hold a primary election, at which they select one delegate for each 1,000 bales of cotton or majority fraction thereof, delivered by the county membership during the preceding season. The county delegates in turn attend a district meeting and select two members as nominees for director from the district. A district election is then held, and one of the nominees is elected, the members voting in person or by mail. Rules and regulations for the conduct of primary and other elections are determined by the existing boards of directors.

Voting power is exercised by the individual members in the annual election of a board of directors. Each member has one vote and only one, regardless of the quantity of cotton produced. The operation of this one-man, one-vote principle prevents concentration of voting power in a group of large producers. It assures democratic control of the organization to the same extent and in the same manner that prevails in county, State, and National Governments.

MANAGEMENT

The control and management of each association is delegated to the board of directors, elected annually by the membership. The board has regular and special meetings, the members usually serving without salary but receiving reimbursement for traveling expenses and $10 per day for the time covered by attendance at meetings and in traveling thereto and therefrom. Each association, with the exception of the Arkansas Farmers' Union association, provides in its by-laws for the nomination, selection, or appointment of one or more public directors to represent and protect the interest of the general public. These directors, who need not be members or growers, have full authority as directors. They are usually named by State officials or the heads of educational institutions. They hold office for one year.

The directors of each association appoint an executive committee, to which it delegates certain powers and activities in the immediate direction of the association's business. The number of executive committeemen varies from three to five in the different associations. They meet more frequently than the directors, and may or may not, as determined by the directors, receive compensation in addition to their expenses and a per diem allowance. Usually, like the directors, they receive only actual expenses and $10 per day when attending meetings.

The officers elected or appointed by the board of directors are usually a president, vice president, secretary, and treasurer. In some associations assistant secretaries are appointed, and in some the same individual serves as both secretary and treasurer. The by-laws describe the powers and duties of the officers, which in the main are the powers and duties ordinarily belonging to such positions in other cooperative and noncooperative business organizations.

The operating departments or divisions are usually designated by such terms as sales, finance, accounting and general office, legal and field service. Each is in charge of an experienced man. The executive head of the organization is a general manager, who in some instances, is also the president. In selecting these men the directors endeavor to get the best ability obtainable, in accordance with the avowed policy of employing experts to conduct their business. Unlike farmer organizations of earlier days, they were, in the beginning, inclined to pay unusually high rather than very low salaries. In many cases this was necessary because of the uncertain future of the new enterprise. Many adjustments have been made and at the present time salaries paid are more comparable with those for like services in noncooperative business organizations. In general, the policy of employing high-grade men at salaries commensurate with their ability has been justified by results.

ORGANIZATION BY COMMODITY

In the plan of organization adopted by the cotton growers it is a fundamental principle that the basis of organization is a single commodity or a group of related commodities. Separate associations are formed for cotton, tobacco, rice, peanuts, etc., rather than one association for a group of commodities produced in the same general locality. With this principle as a basis the plan contemplates control of the marketing of all or a large part of the particular commodity, with only minor regard to the communities in which it is produced. Although separate cotton associations were formed in each State, this recognition of State boundaries was a matter of expediency rather than of principle. The purpose was the organization of the commodity—cotton—rather than the organization of producers living in well-defined geographical areas.

The phrase "commodity marketing," in the restricted sense in which it is commonly used by leaders in the cotton, tobacco, and other associations formed on a similar plan, is associated with the idea of "commodity control." Centralization of control in the marketing of all or a large part of the commodity rather than the handling of a single commodity is the distinguishing feature of this type of organization. The term "commodity marketing" is misleading, inasmuch as the majority of the cooperative associations in the United States, whether locals, centralized associations, or federations, handle only one commodity or a group of related commodities. Without an understanding of the peculiar sense in which the phrase "organization by commodity" is used, it is valueless in differentiating between the centralized associations and those of the federated type, in which control is vested in the local units.

LARGE-SCALE ORGANIZATION

Most, if not all, of the cooperatives formed in recent years on the centralized plan provided as a prerequisite to organization that the contracts with growers represent a definite volume of business. Many provided for organization only in the event that the contracts assured control of the major portion of the total crop or of that produced in a specified area. One tobacco association placed its minimum at 50 per cent of the acreage, another at 66⅔ per cent, and another at 75 per cent. Control of a much larger percentage of production has been obtained by a number of associations handling perishable or semiperishable crops.

The idea that monopoly control is vital to the success of a centralized cooperative marketing association is not generally accepted at the present time by leaders in the movement, or, at most, it is not as deep-rooted as in earlier years. Many consider it advisable but not essential. In insisting upon large-scale organization as a principle the intention is, primarily, to obtain a volume of business sufficient to provide expert management and necessary facilities, to assure efficient operation at the lowest possible per unit cost, and to make possible an effective "merchandising" program.

In the organization of the cotton associations each State organization committee fixed a definite number of bales rather than a definite and uniform percentage of the crop as its minimum requirement. In most instances this amounted to 20 to 30 per cent of the production of the State. This relatively small volume upon which actual organization was conditioned was probably deemed necessary because of the wide area of production; the economic condition under which the crop is produced, particularly the credit system; and the general conditions prevailing in the cotton industry. The quantity of cotton delivered to each association has been much less than was estimated during the organization period, with the result that the associations are actually handling only about 10 per cent of the American crop. In doing this, however, they have demonstrated that control of a major portion of the crop is not essential to their operation. At the same time a larger proportion of the crop should enable them to lower their operating cost and facilitate their merchandising program. (See Table 2.)

Some of the associations had relatively high per-bale costs in their first years, largely as a result of receiving less cotton than was anticipated. As a rule, increasing volume from year to year, other things being equal, has enabled them to reduce materially the per-bale costs of operation. In the case of some of the larger associations it is doubtful if further increases in volume will result in material decreases in marketing costs per bale. This does not mean that further increases are of doubtful advantage, but that additional reductions in cost are likely to be relatively small.

TABLE 2.—*Annual and total receipts of 15 cooperative cotton-marketing associations, 1921–22 to 1924–25* [1]

Association	Receipts each season				Total receipts
	1921–22	1922–23	1923–24	1924–25 [2]	
	Bales	*Bales*	*Bales*	*Bales*	*Bales*
Oklahoma Cotton Growers' Association	91, 239	65, 868	118, 743	141, 440	417, 290
Staple Cotton Cooperative Association	156, 026	168, 021	107, 432	124, 544	556, 023
Arizona Pima Cotton Growers	10, 676	10, 375	7, 948	9, 748	38, 747
Texas Farm Bureau Cotton Association	93, 472	77, 706	182, 318	284, 321	637, 817
Arkansas Farmers' Union Cotton Growers' Association	400	3, 547	3, 341	3, 846	11, 134
North Carolina Cotton Growers' Cooperative Association		135, 912	130, 865	116, 273	383, 050
Arkansas Cotton Growers' Cooperative Association		68, 492	37, 786	40, 361	146, 639
South Carolina Cotton Growers' Cooperative Association		121, 927	121, 215	99, 325	342, 467
Georgia Cotton Growers' Cooperative Association		55, 206	70, 812	105, 977	231, 995
Alabama Farm Bureau Cotton Association		57, 410	65, 319	79, 388	202, 117
Louisiana Farm Bureau Cotton Growers' Cooperative Association			29, 890	6, 535	36, 425
Mississippi Farm Bureau Cotton Association			33, 858	44, 042	77, 900
Tennessee Cotton Growers' Association			15, 316	18, 141	33, 457
Missouri Cotton Growers' Cooperative Association			3, 708	2, 051	5, 759
Illinois Cotton Growers' Cooperative Association				108	108
Total	351, 813	764, 464	928, 551	1, 076, 100	3, 120, 928

[1] Figures obtained in most instances from the American Cotton Growers' Exchange.
[2] As of May 1 for some associations and therefore subject to slight revision.

There is, undoubtedly, for each association a certain limit or least-cost combination of factors which make for efficient operation and which cannot be determined accurately in advance. It is improbable that increases in volume will result in a degree of control sufficient to cause the elimination of large, efficiently operating cotton merchants. It is questionable if this degree of control would be desirable even if it were possible. In all probability, however, the associations can increase their volume to a large extent before reaching that point in large-scale business where net gains diminish until they are offset by inevitable losses incident to overexpansion.

NONSTOCK, NONPROFIT FORM

All of the associations are organized on the nonstock, nonprofit plan—a plan that many consider truly cooperative and peculiarly effective in maintaining unity of interest and producer control. Other factors influencing the adoption of this form were (1) legal expediency, and (2) the necessity of using a plan that would facilitate rapid and large-scale organization.

Under this plan of organization, which meets the requirements of section 6 of the Clayton Act, the Capper-Volstead Act, the uniform cooperative-marketing act that is now in effect in whole or in part in 37 States, and other State acts legalizing such associations, cotton growers who join the associations receive nontransferable membership certificates. Each member has one vote. There is no stock on which to base voting power, or on which to pay dividends, and there are no profits to distribute. Operations are, therefore, confined in purpose to rendering service and effecting savings for members.

Each member receives the average sale price of his pooled cotton less freight, insurance, interest, and deductions to cover his pro rata share of other marketing and overhead costs, including deductions for reserves.

RESERVES

The primary purpose in creating and maintaining a reserve is to provide financial stability, and to have funds available for meeting losses or for other direct or collateral requirements. Not only is it advisable to have such a fund available in a nonstock organization in the event of impaired price levels or other adverse conditions beyond control of the organization, but also to assure the payment of claims arising in its ordinary business transactions. The mill trade desires to buy cotton from merchants or shippers who have large assets, or at least sufficient assets to cover all reasonable claims for refunds. The existence or nonexistence of such a fund also affects the credit standing of an organization with financial institutions and agencies.

The associations provide for reserves by authorizing the deduction of a certain percentage of the gross proceeds from sales of cotton each season. The maximum amounts that may be retained for this purpose by the different associations in any season range from 1 to 5 per cent, with 2 per cent the limit in most cases. Inasmuch as it has been the policy to make net returns to members as large as possible, the actual deductions have ranged from 0.5 to 2 per cent, with 1 per cent the amount retained by 10 associations. The North Carolina and Mississippi Delta associations issue interest-bearing certificates to members for the amounts deducted. The others do not issue certificates, although a few pay interest at the end of each year at the rate of 6 per cent per annum.

The associations have title to the reserves, and the use made thereof is controlled by the boards of directors. Members have an equity in the reserve, in the event it is distributed, in proportion to the amounts deducted from their accounts; but directors control the time and conditions of distribution. The Staple Cotton Cooperative Association provides in its new contract for the immediate retirement of all advance fund certificates issued to members during its first two years, amounting with interest to $860,000, and for placing its advance fund on a revolving basis. Some of the other associations are considering also the plan of maintaining their reserves on a revolving basis rather than of holding the accumulated amounts during the life of the organization.

In its four years of operation the Staple Cotton Cooperative Association has accumulated reserves of over $1,800,000, made up of $1,552,258 in its so-called advance fund and $270,144 in a contingent fund. At the close of the 1923–24 season the Texas association had reserves amounting to $487,614; the Oklahoma association about $219,200; and the Georgia association $177,253. Although the amounts are not yet as large as are desirable in most associations, they have been of decided value in financing operations and in strengthening the positions of the associations with the trade and with credit organizations.

ORDERLY MARKETING

The principle adopted by the cotton cooperatives in distributing their sales more or less evenly throughout the year rather than in concentrating them in the fall months has been called "orderly marketing" by them. Through adherence to this principle it is the purpose of the associations to (1) reduce the volume of early selling and thereby eliminate or minimize any unsatisfactory results of the practice known as "dumping," (2) stabilize prices by selling at such times and in such quantities as cotton is needed in consumptive channels, and (3) obtain a price for their members which will be approximately the average price for the year.

It is generally known that cotton farmers, acting individually, market the bulk of their crop in a short period of time. Based on a 10-year average, 1912–1922, it is estimated that they sell 12.8 per cent of the crop in September; 21.2 per cent in October; 19.4 per cent in November; and 14.2 per cent in December; or a total of 67.6 per cent of the crop in four months. This concentration of sales between September and December, inclusive, has been made necessary to a considerable extent by the growers' financial obligations. Sales of "distress" cotton are made regardless of the fact that the supply offered is in excess of immediate mill requirements and regardless of prevailing prices.

American mills buy throughout the year, but their heaviest buying occurs from September to January. A number of large mills purchase half of their supply in the harvest months, and some purchase their entire supply at this time. Although a few mills may buy for immediate delivery, as a rule they do not carry a large quantity of cotton on hand, but purchase "on call" for shipment in designated months.

Sales by farmers of a larger quantity of cotton than is desired in consumptive channels means that purchasers of the excess must assume the carrying risks and expense. The cost of the service rendered by the trade is necessarily a factor in the price. Storing and holding cotton does not necessarily result in profits, but there are always definite costs. The cooperative associations in their marketing program assume as producers the expense and risks which have been assumed by the trade under other methods.

Orderly marketing in practice must result in the supply more frequently meeting the demand in both time and quantity. Although the mills use cotton over a period of 12 months, there is considerable variation in the quantity used in different months and in different years. Mill takings vary with changing conditions. There is no regularity, therefore, as regards the quantity of cotton required or the time it is required. Because demand is not orderly, in the sense that fixed quantities of cotton are required at definite intervals, a program of orderly marketing that contemplates sales of cotton in equal and fixed quantities each month would not be orderly. The associations recognize this fact and instead of selling arbitrarily fixed quantities by months, as the general public seems to think, they study supply and demand conditions and endeavor to keep the demand satisfied. In practice, they try to sell cotton at such times and in such quantities, as in their opinion, is to the best interests of their members, keeping in mind such a distribution of sales as will enable them to obtain approximately the season's average price.

As an example of the actual practice in distributing sales, Table 3 shows the semimonthly sales of the Texas association for the 1922–23 and 1923–24 seasons. Sales of the 1922 crop were made in 12 months of a 13-month period, and instead of being equal in size they ranged from 24 bales in August, 1922, to 19,135 bales in March. Sales of the 1923 crop were spread over 14 months and ranged from 2,365 bales in February to 52,368 bales in November. In a period of three years, 1921 to 1923, inclusive, a total of all sales by months in the Staple Cotton Cooperative Association shows a range from 18,319 bales in July to 46,448 bales in October.

TABLE 3.—*Sales by semimonthly periods, 1922–23 and 1923–24, Texas Farm Bureau Cotton Association*

1922–23			1923–24		
Date	Bales	Per cent	Date	Bales	Per cent
1922			1923		
Aug. 15	24	0.0	July 31	1,500	0.8
Sept. 15	86	.1	Aug. 15	2,800	1.5
Sept. 30	903	1.2	Aug. 31	2,800	1.5
Oct. 15	1,601	2.1	Sept. 15	8,232	4.5
Oct. 31	1,758	2.3	Sept. 30	1,802	1.0
Nov. 15	2,360	3.0	Oct. 15	2,436	1.3
Nov. 30	4,224	5.4	Oct. 31	10,250	5.6
Dec. 15	4,330	5.6	Nov. 15	22,564	12.4
Dec. 31	2,675	3.4	Nov. 30	29,804	16.4
			Dec. 15	5,600	3.1
1923			Dec. 31	700	.4
Jan. 15	7,298	9.4			
Jan. 31	3,801	4.9	1924		
Feb. 15	523	.7	Jan. 15	2,929	1.6
Feb. 28	4,881	6.3	Jan. 31	948	.5
Mar. 15	14,077	18.1	Feb. 15	415	.2
Mar. 31	5,058	6.5	Feb. 29	1,950	1.1
Apr. 15			Mar. 15	3,749	2.1
Apr. 30	1,455	1.9	Mar. 31	17,203	9.4
May 15	1,815	2.3	Apr. 15	23,212	12.7
May 30	6,138	7.9	Apr. 30	3,810	2.1
June 15	11,976	15.4	May 15	5,400	3.0
June 30	2,208	2.8	May 31	2,100	1.2
Aug. 31	515	.7	June 15	8,558	4.7
			June 30	416	.2
			Aug. 31	13,395	7.4
			Sept. 30	9,745	5.3
Total	77,706	100.0	Total	182,318	100.0

A study of the distribution of sales by months by the several associations indicate that, contrary to public opinion, they market a rather large proportion of their receipts in the fall months. The figures in Table 3 show that in the period from September to December, inclusive, the Texas association sold 23.1 per cent of its total 1922–23 sales, and 44.7 per cent in the 1923–24 season. In the 1922–23 season, during the same period, the Alabama association sold 19.2 per cent, the Arkansas association 27.9 per cent, and the Oklahoma association 52.3 per cent. In the four years of its operation the Staple Cotton Cooperative Association has sold on an average over 40 per cent of its cotton in the same period.

The amount of early selling by the cooperatives indicates that, instead of holding cotton until after the so-called "dumping" period, they consider it advisable to dispose of a substantial part of their receipts by the last of December. Although a number of factors influence their sales policy, their action in selling in the fall suggests that the actual effect of "dumping" is not as serious as it is generally presumed to be. According to popular belief, the rapid marketing of the crop by farmers creates an excess over consumptive demands and a congestion that results in a seriously depressed price. If this is true, the plan of orderly marketing to relieve congestion and prevent the attendant price slump, other things being equal, should cause the associations to reduce the volume of their early sales; if not true, their present practice may be desirable.

Without attempting in this discussion to measure the exact influence of rapid marketing, or "dumping," it can be stated that the best figures available do not substantiate the common belief that a serious price decline occurs simultaneously with heavy marketing in the fall, and that there is an upswing when the movement ceases. A study of seasonal and annual average prices of New York futures and middling spots for the 20-year period, 1904–05 to 1923–24, although showing some advantage in the annual average, does not demonstrate the regularity and seriousness of an "autumnal dip." A study of the average prices received by farmers on the first of each month since 1913–14 indicates no positive price advantage to farmers who consistently hold their cotton until after December.

In order to carry out their orderly marketing program to the extent of stabilizing the cotton market, the associations need to control a much larger proportion of the crop. For price-making purposes the supply may be said to include the current crop, the carry-over from the preceding crop, and the anticipated size of the next crop. Prices are based on world supply and demand. Inasmuch as the associations control only approximately 10 per cent of the American crop, and propose to market this more or less evenly within a period of 12 months, they are not in a position to exert a materially stabilizing influence on the base price.

They have, however, been successful in carrying out their orderly marketing program as far as their own membership is concerned, (1) by reducing to some extent the volume of early selling by their members, (2) by stabilizing the market for their members through pooling and the intelligent distribution of sales, and (3) by obtaining for their members the approximate average price of the year. By operating annual pools and distributing sales throughout the year, they have eliminated for their members the possibility of loss or gain from sales made at the bottom or top of the market. They have smoothed out for their members the short-time fluctuations in the price curve through these methods, thereby protecting the member to much the same extent that the cotton merchant obtains protection by hedging in the futures market.

MERCHANDISING

Orderly marketing relates especially to the quantity of cotton sold and the time of sale. Merchandising, a term frequently used interchangeably with orderly marketing, has a much broader meaning. Orderly marketing is, in fact, only one phase of merchandising. Merchandising involves standardization of quality, preparation for marketing, advertising, the carrying of adequate stocks, elimination of waste, equitable distribution based on comprehensive market information, expert salesmanship, and such operations and policies as are effective in establishing and maintaining trade confidence. It relates to all operations carried on in connection with the disposal of the product. An effective merchandising policy, in connection with the cooperative marketing of cotton, may be defined as a plan of marketing designed to result in maximum returns to the producer and a minimum expense to the consumer of raw cotton, through the use of efficient methods and practices by which cotton is made available in the quantity and condition desired and at the time and place of greatest demand.

POOLING

Growers frequently refer to their respective associations as "pools." This is not an incorrect use of the term in the sense that they have aggregated their interests and property to further a joint undertaking. To obtain the economic benefits of collective action they pool their interests by individually and collectively transferring to their central association the control of the marketing of their cotton and the distribution of the returns therefrom. In order to equalize these returns between members, the association pools the cotton received according to grades and staples, returning to each individual having cotton of a particular grade and staple his pro rata share of the average price received for the entire lot of which it is a part.

In general, each association maintains its own pools, apart and distinct from like pools of other associations. The exception is the arrangement previously described whereby the Arkansas Cotton Growers' Association handles the cotton of several smaller associations. All pools are for the cotton season, that is, the pools of 1924 cotton are effective for the entire 1924–25 season, or until they are sold.

With two exceptions the associations adhere strictly to the principle of handling all cotton on a pooling basis. The exceptions are the Arkansas Farmers' Union Cotton Growers' Association and the Staple Cotton Cooperative Association; the first selling a small quantity of "distress" cotton for its members; the second providing specifically for such sales in its renewal marketing agreement, under certain conditions.

The number of pools in each association and the quantity of cotton in each pool depends on the class of the cotton received. Variation in the number in different States and in different seasons is caused by variation in the volume of deliveries, by the general character of cotton production in the areas covered, and by seasonal conditions under which different crops are produced. Under the American classification for upland cotton, which is used by all associations, it is possible to have approximately 400 pools, but it is not probable that any one association will ever have all grades and staple combinations in a single season. During the 1924–25 season, for example, Oklahoma had 65 active pools; North Carolina, 96; and Alabama, 46. One large association had 86 pools in the 1921–22 season; 56 in 1922–23; 76 in 1923–24; and 120 in 1924–25.

Under the present pooling plan the member whose cotton classes "middling white 1-inch" receives the average price per pound obtained during the entire season from all sales of middling white 1-inch cotton, less necessary deductions. He is assured the average price obtained for cotton of that class, but there is no positive assurance that the price will reflect the true value of his cotton in relation to the cotton in pools of a higher or lower class. In other words, it is possible that cotton of a lower class may be sold under market conditions that result in a higher price per pound than that obtained for the middling white 1-inch pool. When this actually occurs it tends to defeat one of the main purposes of cooperative marketing, that of obtaining a premium for quality production.

As a result of four years' experience in pooling cotton a pooling feature is being worked out whereby one association, at least, expects to bring about a more accurate equalization of returns between members, based on the actual value of the members' cotton in relation to all other cotton of lower and higher class. The Texas association in its new contract, effective in 1926, proposes to make payments to members "according to differentials as to grade and staple, to be established conclusively by the association on the basis of actual differentials in prices received throughout by the association from the sales of each year's crop." It is expected that this plan, known as the economic value differential method, will be adopted by other associations when their present contracts expire.

LOCALS

In most of the cotton cooperatives both the association agreement and the by-laws provide for the organization and maintenance of informal local branches. Approximately 1,200 of these were organized in Oklahoma during and immediately after the organization period of the association. A few continue to be active, but most of them failed to function after rendering service in the membership campaign. About 600 were organized in North Carolina in connection with the association's initial field-service program. Four other associations use for similar purposes the community or county units of State farmers' organizations, especially the farm bureau. The remaining nine associations have no definite system of established branches.

Although local branches are specifically provided for in the general plan of organization, there is no unanimity of opinion among the leaders of the movement regarding either their value or activities. In general, they have been described as informal advisory groups organized to render local aid in obtaining contracts, to encourage deliveries, to disseminate information relative to association affairs, to furnish statistical data, to maintain proper morale in the membership, to promote better farm practices, and to bring about general improvements in rural life. Officials of some centralized associations maintain that such locals are exceedingly valuable and that they are necessary to success. Others assert with equal emphasis that they are a detriment, inasmuch as they not only attempt to dictate association policies but use their regular meetings to foster discontent and antagonism. These widely different views are the results of their respective experiences with local " contact " organizations.

The organization and maintenance of " contact " locals is not a widely accepted principle or a recognized feature of the cotton association, at least at the present time. They have not functioned as the leaders anticipated, and the trend is definitely away from the local branch and toward a general community organization. These community organizations, which are being formed as a part of the field-service activities of several associations, are not branches or units. Membership is not limited to association members, or even cotton growers, but includes all of the men, women, and children who are interested in rural progress and community development. The organizations are designed to serve as contact groups for the cotton associations, although cooperative marketing is only one of their many interests.

The underlying idea in the originally adopted plan to have informal branches or locals of the cotton associations seems to have been to obtain some of the advantages enjoyed by federations without losing the control characteristic of centralized associations. In federations like the California Fruit Growers' Exchange the locals own and operate packing plants, maintain their own pools, and in other ways handle and control their own product. Unlike these locals in associations of the federated type, those in the cotton cooperatives have had social rather than business activities.

The problem in developing and maintaining effective locals of the " contact " type has been further complicated by the fact that members in a given geographical area may include plantation owners, small land owners, tenants, and croppers, both whites and negroes. Their relationships are, for the most part, business relationships. For the satisfaction of social desires each class in the given geographical area may go outside that area and meet others of the same class from other areas. These conditions are also factors to be reckoned with in the more recently adopted plan of community organization, in fact in any plan of rural grouping.

In general, the attempt of centralized cooperatives to organize their members in rural communities, largely on a geographical basis, as social (nonbusiness) locals or branches of business organizations, has not been satisfactory. Experience, however, is developing a better understanding of the factors that must be considered in the complex problem of rural organization. One association is developing a plan to form locals that will have certain definite business activities, though decidedly limited. A few leaders in the movement are considering the possibilities in a cooperative cotton gin as a nucleus for a local association. Properly worked out, the ownership and operation of cooperative gins by local members of the marketing associations might result in simplifying the entire membership problem.

METHODS AND PRACTICES

DELIVERY

Members deliver their cotton after it has been ginned and baled direct to designated warehouses or compresses, to railroad companies for shipment to designated warehouses or compresses, or to local receiving agents employed by the association.

The most generally employed of the three methods is delivery to a railroad company for shipment, freight collect, to a designated compress or warehouse. The member hauls his cotton to the freight station, attaches to each bale a shipping tag, and has the local freight agent prepare a "shipper's order" bill of lading. There is inserted in the bill of lading his contract number, the shipping-tag number, the gin weight, and any special notations ordered inserted by the associations, such as, "To be compressed in transit, carrier's privilege." The shipping tags used are furnished by the associations to all members prior to the delivery period each season. When delivering directly to a near-by compress or local warehouse each bale is weighed and a compress or warehouse receipt is furnished, which describes the cotton in much the same way as a bill of lading.

The member takes the bill of lading or the warehouse receipt to a local bank and attaches it to a sight draft on the association for the amount per pound or per bale previously announced by the association. His contract number and the weight of the cotton is noted on the draft, which is also signed by any lien holders or mortgagees. The bank pays the member or his designated creditor, and forwards the draft with the bill of lading or receipt attached directly or through its correspondent bank to the association's custodian bank, where it is honored.

A few associations require that all members draw drafts at time of delivery for the full amount of the advance. Most of them, however, provide for the use of member's invoices in instances where growers do not desire cash advances. In such cases the association mails the member its note for the amount he was entitled to draw. These notes are payable in some instances on demand and in some associations in 60 days or longer. They usually bear 6 per cent interest. Special forms of drafts and invoices are supplied by the associations to all banks in their territory.

Several associations employ local receiving agents at delivery points to assist members in delivering and in obtaining advances. The Oklahoma association adopted the plan in its second year. In 1924–25 it had about 400 receiving agents, who were paid 30 cents per bale up to 1,500 bales and 25 cents per bale thereafter, with a bonus at the end of the season. The North Carolina association had 254 in the 1924–25 season; the Georgia association about 250;

and the South Carolina association about 450, the rate of payment being 15 cents per bale in each association. A few were used by three other associations, under special conditions, the rate of payment ranging from 20 cents to 50 cents per bale. The Mississippi staple association, as previously outlined, has its local managers at each receiving point. The other seven associations provide no special aid in delivering beyond, in some States, such assistance as may be rendered by local field-service workers.

WAREHOUSING

The associations, while having the authority to form subsidiary warehousing corporations, have not found it necessary or advisable to provide their own storage facilities. They use public warehouses, selecting those which are advantageously located and most suitable for their purpose.

Warehousing is necessary to protect cotton from damage, deterioration, and loss from theft; to obtain economical handling in connection with its movement in the marketing process; and to facilitate financing by providing negotiable receipts which are recognized as desirable collateral for loan purposes. The integrity of the receipt is largely determined by the conditions under which it is issued. For this reason some of the associations use only warehouses licensed under the United States warehouse act, and certain others use them for the major portion of their cotton. The warehouses not so licensed must have also the approval of lending banks.

The associations have found that their use of many small interior warehouses is expensive and in other ways undesirable. Concentration in relatively few advantageously located warehouses has resulted in a lower storage cost, a reduced insurance premium, and decided advantages in handling, selling, and shipping. The extent to which concentration is desirable or practical varies in the different States, depending mainly on the character and extent of existing storage facilities, railroad facilities, tariff rates, and especially the consuming markets to which the cotton is to be shipped.

The Texas, Oklahoma, and Louisiana associations concentrate all their cotton at Gulf ports—at Houston, Galveston, and New Orleans, respectively. Prior to adopting this plan of port concentration the Texas association used 71 interior warehouses or compresses, Oklahoma 22, and Louisiana 5. The North Carolina association has reduced the number of storage places used from 80 to about 46; Alabama, from about 200 to 125; and some of the others have made equal or greater reductions. During the 1924–25 season the Mississippi staple association used 21, Arizona 2, Arkansas Cotton Growers' Cooperative Association about 25, the Arkansas Farmers' Union association about 9, Georgia 17, the Mississippi Farm Bureau association 31, Tennessee 6, and Missouri 5.

In the States outside of southern mill districts where the bulk of the cotton crop is compressed, storing occurs at interior or port compress points in the large warehouses operated in connection with the compresses. The interior compresses reduce the size of the gin bale by compressing it from a density of about 12 pounds per cubic foot to a "standard" density of from 22 to 24 pounds, resulting in lower costs for freight, storage, and insurance. Freight rates usually include the charge for compressing.

Practically all association cotton is compressed, except that produced and sold in southern mill districts. When shipped abroad it is further compressed at the port, the standard density being reduced to a "high density" of from 32 to 38 pounds per cubic foot.

Inasmuch as compressing results in the addition of extra ties and patches, the weight of the bale is increased between delivery by the farmer and its receipt by the ultimate buyer. Following trade practices, the associations show this gain in weight or "profit on patching" as a gain accruing to its members. Although shippers seem to believe that the extra weight of bagging and ties results in a profit from the sale of bagging and ties at the price of cotton, many students of the complex question of tare take the position that the amount of tare is taken into consideration in the prices paid and that the apparent gain is not a net gain, but an economic loss. However, whatever advantage may accrue to the merchant or exporter in adding weight now accrues to the grower in the cooperative marketing plan. In some instances there is a gain in weight from the absorption of moisture, which, when it occurs, is obviously a net gain to the cooperatives.

The practice of receiving cotton soon after ginning and immediately storing it in suitable warehouses is effective in reducing the enormous annual loss caused by weather damage. This damage is frequently called "country damage" because the bulk of it ordinarily occurs at country points. As a result of a study made by the Department of Agriculture in 1919 the average annual amount of this damage was estimated at $2.50 per bale or $30,000,000 a year. Claims for weather damage actually paid by the Texas association on the cotton exported in 1923–24 amounted to only 8.5 cents per bale for the 111,341 bales it exported in that year. The associations practically eliminate the loss from weather damage to their cotton, particularily the major part which occurs at country points to unwarehoused bales. This is an advantage to its members, although the amount of the net gain is not as large as the estimated losses might indicate, because the gain is offset to some extent by the costs incident to providing protection.

INSURANCE

Under the long-established practices in cotton marketing, wherein the cost involved in handling was taken into consideration in the prices paid the grower, cotton merchants were more interested in obtaining insurance rates on the same general level with their competitors than in bringing about materially lower rates for the benefit of the industry, including the growers. The cooperatives in their properly directed efforts to bring about reductions by so handling their cotton as to reduce the hazards have not only directly benefited their members but also have indirectly benefited the entire industry. For example, the announcement of the Staple Cotton Cooperative Association in 1921 that it would store cotton only in warehouses licensed under the United States warehouse act brought all delta warehouses under Government regulations, which resulted immediately in a 25 per cent reduction in insurance rates, beneficial alike to the association and all handlers of delta cotton. It was estimated that in the 1921–22 season alone savings in insurance premiums on cotton in these warehouses amounted to over $280,000.

In establishing insurance rates warehouses are classed as AAA, AA, A, B, C, and D. The AAA class includes a very few in which the risk, especially from fire loss, is reduced to a minimum; the D class includes a large number which provide the least protection. The rates may range in warehouses of the different classes from as much as 75 cents per month per $100 value to as low as 25 cents per year. In 1921–22, when the Texas association used interior A, B, C, and D warehouses, its insurance in storage amounted to $1.51 per $100, and in 1923–24, with all cotton concentrated in an AAA warehouse, the cost was 16.2 cents. In 1924–25 the staple association figured its insurance from the time its members' cotton was ginned until delivery to buyers at 39 cents per $100.

A good example of the savings effected from year to year by an association using interior warehouses is found in the operations of the Georgia association. This association has reduced the number of warehouses each year by discontinuing the use of small local warehouses with limited facilities and protection. Its storage cost per bale per month in 1922–23 was approximately 50.4 cents, 32.4 cents in 1923–24, and 23.5 cents in 1924–25. The average insurance rate per $100 value per month in the same years was approximately 19.8 cents, 11.4 cents, and 9 cents, respectively.

The associations carry insurance on all cotton from the time it is delivered until ownership and possession pass to the buyers. In most cases coverage is effective from the time a member delivers cotton at the gin, from the time it takes the form of a bale, or from the time it leaves the gin. In a few cases it is not effective until actual delivery to the association. Gin policies, being carried to cover cotton only for the brief period between ginning and delivery, are as a rule effective for 10 days. With their large volume of business and their policy of reducing risks, the cooperatives are in a position to obtain from the large insurance companies the lowest possible rates. In making public the economies effected in insurance costs they have directed attention to the causes of high rates, which should force a general improvement in warehouse construction and operation.

SAMPLING

Samples are obtained from each bale on arrival at the designated warehouse or compress. The warehouseman, if licensed under the United States warehouse act, draws the samples according to regulations of the act, the samples being obtained from both sides of the bale and weighing not less than 4 ounces. A sample coupon, printed in duplicate or triplicate and showing the number of the bale from which it is drawn, is wrapped in each sample. The samples are then packed in baskets and delivered to the classing room, if sampling and classing occur in the same city, or they are packed in bags and shipped by express to association headquarters. Figure 5 shows the arrival of a shipment of samples at the office of the Oklahoma association.

Unless unusual conditions make resampling necessary, each bale is sampled once only. This practice eliminates the loss to the growers from the excessive sampling that usually occurs when they offer their cotton to several different buyers at local markets. In their cooperative marketing plan, the growers rather than the buyers receive the proceeds from the sale of samples, which amounts in the aggregate to a considerable sum. The so-called "city crop," which is made up of samples, press sweepings, and pickings from damaged bales, has been estimated to amount to 150,000 bales per year. In

FIG. 5.—A shipment of samples from a licensed warehouse received at association headquarters

the 1923–24 season 10 of the associations belonging to the American Cotton Growers' Exchange received $169,308 from sales of loose cotton and samples.

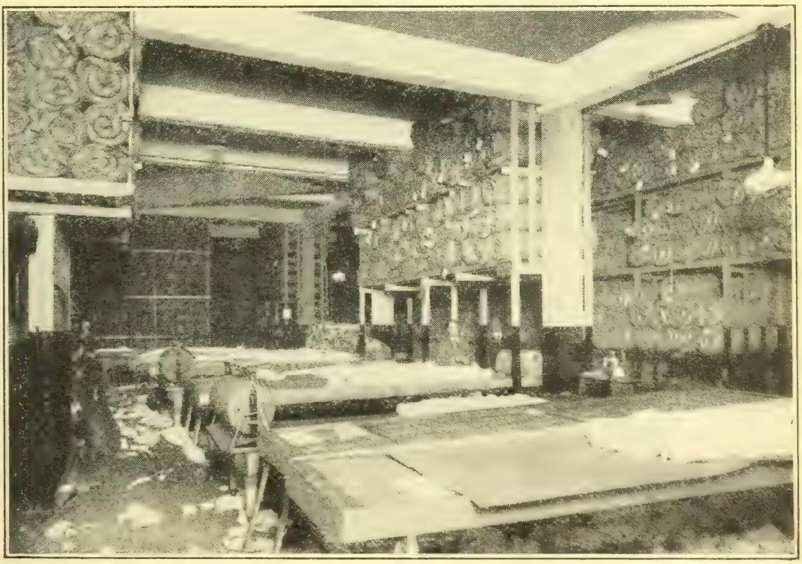

FIG. 6.—Part of the sample room of the Texas Farm Bureau Cotton Association, at Dallas. Each roll contains samples of 50 bales of cotton

Figure 6 shows a part of the sample room in the Dallas office of the Texas association.

CLASSING

Each association employs a head classer and several additional classers, the number depending upon the volume of deliveries. Many

FIG. 7.—Checking samples received from warehouses. If the tag numbers in each sample correspond to the association's records, the samples are delivered immediately to the classing room

of these are licensed by the United States Department of Agriculture under either the cotton standards act or the warehouse act. In every case classing is based on the official cotton standards.

FIG. 8.—Classing room of the Oklahoma Cotton Growers' Association. Each sample is examined and its grade and staple determines the pool in which the bale is placed

The Texas and Louisiana associations maintain classing offices at their concentration points; all others at general headquarters. On receipt of samples they are checked, as shown in Figure 7, and classed, as shown in Figure 8. The class or the pool symbol representing it is stamped on the duplicate coupons, one part of which remains with the sample, the other being sent to the accounting department. When samples are "split," that is, divided for the purpose of storing in two different places, as is the practice in the Texas association, triplicate coupons are used.

After the classers determine by examination the grade and staple of the sample, they are sorted into even-running lots—50 or 100 samples representing as many bales of the same class—wrapped together and placed in racks in the sample room. (See fig. 6.)

An outstanding advantage in cooperative marketing is the practice of classing cotton prior to rather than after it is sold. The initial sale of members' cotton on a classed basis eliminates the evils incident to the common practice of farmers selling to local buyers at an average or "hog round" price. The cooperative practice assures a price commensurate with quality, and provides an incentive for the production of better cotton. An examination of the records of one short-cotton association shows that 69.6 per cent of its cotton in 1921–22 classed middling or above; 87.3 per cent in 1922–23; 61.3 per cent in 1923–24; and 92.2 per cent in 1924–25.

FINANCING

The associations, under their plan of organization and operation, need little investment capital. With only two exceptions, in which reserves have been invested in office buildings, they lease their office space. They require, however, large sums to finance the handling of their cotton, the total amount depending on the quantity of cotton received, the market price, the percentage of the price advanced to members, the sales policy, and the policy regarding distributions.

In the beginning some associations proposed to obtain money to finance operations from local banks throughout their respective States, but this plan proved unsatisfactory. Although some money is obtained from small local banks, the tendency soon developed to deal directly with a relatively few banks and financial agencies and to obtain credit in financial centers where lowest interest rates and most favorable terms could be obtained.

In 1921 the four newly organized associations faced their first season without funds, credit, or reputation. Local banks delayed or refused the support anticipated, or loaned within limits that only partially met requirements. Attempts to borrow from large eastern banks were unsuccessful. Finally, relief came at the opportune time from the War Finance Corporation. In July, 1921, the War Finance Corporation, which had been revived in January for the purpose of aiding in financing the exportation of agricultural and other commodities, granted the Staple Cotton Cooperative Association credit to the extent of $5,000,000. Credit was later extended to the Oklahoma, Arizona, and Texas organizations, the total commitment to the four for financing the orderly marketing of their estimated receipts, particularly in foreign commerce, involving approximately $50,000,000. Very little of this amount was used, but the fact that it was made available greatly helped the credit of the associations. With the War Finance Corporation extending a line of credit in the first and in subsequent years, private banking institutions offered to supply funds at either cheaper rates or on more favorable terms.

With the exception of the first year the associations have experienced little difficulty in financing each season's operations. They have succeeded in overcoming, to a large extent, the handicap of the usual nonstock organization in this matter. Their present favorable position as regards credit is the result of conservative management, the maintaining of a satisfactory margin between the value of the cotton handled and the loans thereon, the building up of reserves, the use of warehouse receipts from approved warehouses, especially those operating under the Federal warehouse act, and the adoption of other policies and practices that tend to establish confidence and responsibility.

Prior to the beginning of a season the management estimates its credit needs and arranges for a line of credit usually in excess of actual requirements. This is obtained mainly from large eastern banks, the larger city banks of the South, and the intermediate credit banks. Usually the loans are made available through a local bank which acts as trustee or custodian. This bank, acting for the group of lending banks, receives and holds the collateral, including bills of lading and warehouse receipts, and turns over the money to the association. The forms of obligation most commonly used by the associations are bankers' acceptances and 30, 60, and 90-day notes. Loans in some instances are predicated upon sales of certain quantities of cotton within prescribed time limits.

Trust receipts are used sometimes in obtaining funds to make advances at the beginning of a season and in some instances to expedite shipments of stored cotton when the associations must have possession of the warehouse receipts. Under similar conditions, when few warehouse receipts have accumulated in the hands of the custodian, the associations have found an advantageous use for their reserves. Loans from members, usually on demand or for 30, 60, or 90 days, have also been a factor in financing, especially in the early part of the season. At one time the South Carolina association borrowed over $1,125,000 from its members.

At the beginning of the 1924–25 season a committee from the American Cotton Growers' Exchange arranged a line of credit of $100,000,000 for its member organizations at interest rates between 4 and 4½ per cent. A study of one association shows that it paid an average interest rate for borrowed money of 6 per cent in 1921–22; 5.51 per cent in 1922–23; 6.84 per cent in 1923–24; and 4.75 per cent in 1924–25. It used $25,629,000 in 1924–25, borrowing $14,903,000 within the State and $10,726,000 in the East. One reason given by the staple association for its desire to redeem two issues of advance fund certificates is that the 6 per cent interest being paid on these certificates is in excess of the rate at which it can borrow, which was 4.67 per cent in 1924–25.

Under present conditions and with the prevailing practice of giving bankers a margin of protection of approximately 35 per cent, the credit of the associations is practically unlimited. The amount loaned per bale may be less than the loans to some competing spot merchants who provide protection against price declines by hedging in the futures market, but the associations are in a position to borrow at as low interest rates as any business organization doing a like business, and certainly at rates materially lower than could be obtained by individual producers.

DISTRIBUTIONS

Inasmuch as the loan value of association cotton seems to have been fixed by lending banks at approximately 65 per cent of the market price, it is important to plan distributions to members so as to maintain at all times a 35 per cent unencumbered margin in unsold cotton. This means that payments should not at any time exceed the amount that can be borrowed on unsold cotton, plus approximately 35 per cent of the proceeds derived from sales. With some exceptions this policy has been followed in making advances and in determining the dates and amounts of subsequent distributions.

The usual advance to members immediately on delivery is about 60 per cent of the value of unclassed cotton. The desirability of making advances according to the class of the cotton, rather than on a bale or weight basis, is recognized, but can not be done under the present operating plan without delaying payment. The associations, therefore, make the same percentage advance on all cotton delivered, and in subsequent distributions, made after the cotton is classed, adjust the advance on the basis of grade, staple, and weight.

Distributions are made from time to time during the season as sales are made and cash accumulates. When consistent with conservative management the general practice is to make the first distribution in December, a second in February, and a final settlement between April and July. The Mississippi staple association makes monthly distribution.

AGRICULTURAL CREDIT CORPORATIONS

The volume of cotton handled by the associations each year has been considerably less than the volume represented by signed contracts. Although a number of factors must be taken into consideration in accounting for this wide difference, the most important is the unusual extent to which cotton production is based upon credit.

The most important development in the efforts of the association to solve the problem of handling mortgaged cotton has been the organization of agricultural credit corporations under the agricultural credits act of 1923. Through these corporations they endeavor to facilitate delivery by supplying funds to pay off mortgages, or to prevent mortgaging to other interests by supplying production credit to its members on more favorable terms. Loans are made by the corporations, not by the associations. In some instances the corporations have the same officers as the associations, occupy the same offices, and are, in fact, subsidiary or accessory organizations, although in no case are the associations liable for the corporations' acts or debts beyond their investments in capital stock.

In 1925 one or more agricultural-credit corporations had been organized by eight associations and were being organized by three others. Some of those in operation were formed to supply production credit, others to finance the delivery of mortgaged cotton. An example of the first type is the North Carolina Agricultural Credit Corporation, which was organized November 4, 1923. Its issued stock is owned by banks and individuals. Local banks act as its agents in making loans to association members for production purposes. An example of the other type is the Texas Cotton Growers' Finance Corporation, which confines its activity to taking up mortgages where the security is ample and where the mortgagee would force the sale of the cotton in other channels. In Georgia four district corporations have been formed for production credit, the capital stock of three being owned by farmers, and in the fourth by farmers and banks. A fifth corporation, in which the stock is owned exclusively by the association, has been organized to finance the delivery of mortgaged crops.

In entering the field of production credit, through these subsidiary or accessory corporations the associations propose to make credit available through the intermediate-credit banks only in instances where local bank facilities are inadequate or where the banks for other reasons do not supply the needs of their members for intermediate credit.

SELLING

Each association, with the exceptions previously mentioned, has a sales department or division, with an experienced cotton salesman in immediate charge. The practice of maintaining sales agents and brokerage connections in different markets and the extent of this representation varies in the different organizations. Some have their own agents and representatives in both domestic and foreign spinners' markets, although the 13 associations affiliated with the American Cotton Growers' Exchange, with one exception, use in part or exclusively the foreign offices and representatives maintained by the exchange. Some use its sales service not only abroad but in all domestic markets outside of the States in which they are located.

Membership in the exchange makes its general sales service available, but does not restrict the member to its use. At the present time the member association may sell all, a part, or none of its cotton through the exchange. If cotton is offered through the exchange, bids are obtained from buyers and transmitted to the association, its confirmation in turn being transmitted to the buyer. In any case the association has the privilege of naming the price at which its cotton is to be offered or of rejecting any bids obtained by the exchange. When sales are made the individual association assumes full responsibility and handles directly shipments, billings, and any claims for adjustments.

Cotton is sold on sample, on type, and on description. Buyers may visit the headquarters of the association and purchase any quantity after inspecting bale or type samples; they may inspect samples sent to spinners' markets and make their purchase by mail, telegraph, or cable; or they may buy on description without samples. The sale on type is most extensively used, the type samples representing a grade, staple length, and character of cotton, but no particular bales.

Sales are made for immediate delivery or for delivery in designated months. The agreement regarding each sale, especially those for forward delivery, describes the kind and quantity of cotton, the month or months of delivery, the futures market and the futures month on which the price is to be based, the "on" or "off" to be allowed, the party who has the right to call the time the price is to be fixed, the place of delivery, the rules governing delivery, and the terms of payment if different from the usual terms of cash on the day of shipment.[5]

In spinners' markets in the United States, which are those markets located in close proximity to mill centers to supply mill needs, cotton is offered in even-running lots by dealers, merchants, and brokers and is bought by mill buyers or their representatives. In Europe the mills buy mainly through buying brokers who, in turn, purchase through selling brokers or agents of importing merchants. In making sales in spinners' markets price bargaining is almost entirely confined to the "basis" or parity between spots and futures. In American markets prices are made in terms of New York and New Orleans futures. The bargaining points are the premium or discount or the points "on" or "off" the futures price for grades above and below middling, for staple lengths, and for delivery of even-running cotton at the mills' warehouse.

The cooperatives, subject to their general orderly marketing policies, sell cotton wherever the best price is obtainable. In the past a large part of the sales have been to exporters, although they offer to sell to anyone. The volume of their direct-to-mill sales has not equaled the early expectations of many leaders in the movement, but it has exceeded the expectations of others who recognized the handicaps under which they compete for mill business. The Staple Cotton Cooperative Association sells approximately 92.5 per cent of its cotton to the mill trade, a record made possible to a large extent by the different conditions in the staple-cotton trade, and the fact that this association, through its willingness to use the futures market, is in a position to handle mill business in accordance with established methods of mill buying.

With the exception of the staple association, the cooperatives, as a rule, do not use the futures market in hedge transactions. They take the position that their business is confined to sales of spot cotton, and that their plan of pooling and distributing sales throughout the year operates as insurance against short-time fluctuations in the price and enables them to obtain a better average price than they could if they hedged. Many men in the cotton trade maintain that their nonuse of the futures market is contrary to modern merchandising methods and is a mistake. Undoubtedly the conservative use of the futures market has strengthened the position of the staple association with the trade and with bankers, and has not caused a revolt on the part of the members who, most association leaders believe, object to transactions in the futures market. Such an objection in one association resulted in the abandonment of its early practice of making sales on call.

Many mills make it a practice to purchase their cotton on "buyers' call," a method that gives the mill an advantage in bargaining for the sale of its product and does not require it to carry the hedge. Under this plan the mill purchases cotton for forward delivery at so many points "on" or "off" a futures month. When it decides to call it notifies the seller, who immediately fixes the price by a sale of future contracts, which at the same time cancels his prior purchase of future contracts. This method of sale is agreeable with the spot

[5] Cox, A. B. Studies in Cotton Marketing.

merchant, but is not practiced by the cooperatives. They do, however, use "sellers' call," inasmuch as the buyer, under this method, purchases the future contracts which are sold for its account when the seller fixes the price.

The use of buyers' call in facilitating direct-to-mill business is only one of several advantages in the use of the futures markets that are recognized by many association officials. They believe, however, and to some extent have demonstrated that handicaps resulting from its nonuse can be overcome. This is being evidenced by the considerable quantity of cotton sold direct to the mills, and the commendations of several spinners' organizations. With their large stocks concentrated at advantageous points, they are in a position to furnish even-running cotton of almost any kind, at almost any time, and in almost any quantity.

ACCOUNTING

The handling of accounts and records of all transactions is usually concentrated in an "accounting and general office department" in

FIG. 9.—Part of the general office of the Texas Farm Bureau Cotton Association

charge of an office manager. (See fig. 9.) In this department, which plans, balances, and correlates detailed operating methods into a continuous operating entity, it was found necessary to develop an accounting system more intricate and expensive than that required in an ordinary cotton enterprise. The cooperative character of the organization necessitates detailed and accurate records for each member and each bale of cotton.

Records are kept showing the time and place of shipment or delivery of each bale, the warehouse or compress to which it was delivered and in which it is stored, the bale number, the member's contract number, gin weight, warehouse or compress weight, the bank through which the member's draft was handled, mortgages and landlord interests, the date and amount of all advances and payments, the grade and staple, the pool number, expense items chargeable against the bale, records of sale and shipment, and any other information necessary for proper identification and proper settlement with the grower. In addition to the regular accounts of members, there are, in some cases, special accounts and joint accounts. In the final statements sent to members each bale is listed, showing tag number, weight, class, average pool price, deductions, prior payments, and the net balance.

In general, the work of the accounting department involves the examination, balancing, and office handling of collateral; general bookkeeping, including records and statements of receipts and disbursements; examination and recording of drafts and mortgages; handling of expense and distribution checks; keeping membership records; verifying bale numbers, contract numbers, and unloading reports; issuing shipping tags, instructions, etc.; applying pool numbers and weights on unloading reports; issuing advices of weight and class; tabulating, including the punching, verifying, listing, and filing of receiving pool, bale, sale cards, etc.; handling incoming and outgoing mail; preparing and distributing forms; purchasing

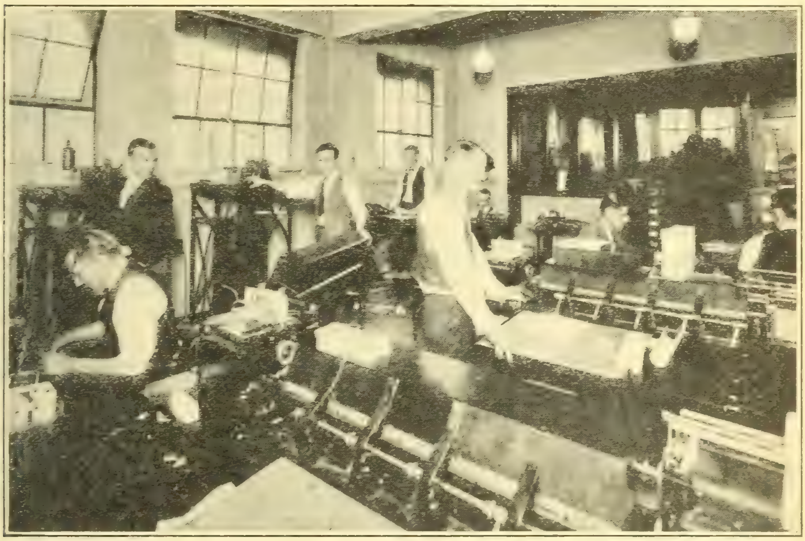

FIG. 10.—Tabulating machines in the office of the Oklahoma Cotton Growers' Association

supplies; filing correspondence, preparing regular and special reports, etc.

Most of the associations have increased the efficiency of their accounting units by installing modern labor-saving machinery. (Fig. 10.) Perforated-card machines, consisting of punchers, verifiers, assorters, and tabulating printers, are used to obtain speed and accuracy in much of the detailed clerical work. The cards used have a series of numbers in various columns, each number representing a pool, warehouse, compress, bank, etc. By punching the cards and running them through the machines it is possible to obtain in a very short time information and figures that ordinarily would require the time of several people. Duplicating, addressing, and mailing machines also contribute to the efficiency of the general office.

The associations not only recognize the necessity of having complete information, but also for obtaining this information with a minimum amount of time and expense. To do this changes in operations and methods have been made from time to time, and will doubtless continue to be made as experience and study indicate more advantageous methods. In general, these changes have tended both to increase efficiency and reduce costs. As an example, the Texas association handled 93,802 bales in the 1921–22 season with about 148 people in the general office during the peak period of deliveries; in 1922–23, with 77,706 bales, it had 50 people during the peak season; in 1923–24, with 182,318 bales, it had 71 people; and in 1924–25, with over 280,000 bales, it had 71 people. General office costs per bale were $3.15 in 1921–22, $3.59 in 1922–23, $2.26 in 1923–24, and $1.99 in 1924–25.

In accordance with good business practice, regular audits are made of the association's books. The by-laws of the organizations provide that internal auditing committees may be appointed, and that periodical audits and annual reports must be made by a certified public accountant.

FIELD SERVICE

The most difficult problem confronting the cotton associations is that of obtaining and maintaining a membership that understands the principles, purposes, and operations involved in cooperative activities in general, and in the cooperative marketing of cotton in particular. Inasmuch as the associations were organized without this understanding on the part of the growers, it was found advisable to develop ways and means to conduct educational work as a part of the operating problem.

Field-service work has been made necessary by (1) this lack of previous experience and thorough understanding on the part of the members, (2) the mistakes and misconceptions traceable to overenthusiasm in the intensive organization campaigns, (3) the unusual scale of organization, including thousands of members scattered over relatively large areas, (4) the high degree of centralization in this type of organization, which does not tend to develop a sense of individual responsibility, and (5) the unfavorable conditions, particularly as regards credit, under which the crop is ordinarily produced and sold. The problem has been complicated by the lack of experience and of established practices in conducting field-service work in organizations of this size and character.

The effectiveness of field-service work is being measured in the cotton cooperatives largely by the percentage of deliveries obtained. Field men are charged not only with the responsibility of obtaining new members, but also of getting deliveries from the old members. To do this it is necessary to maintain close contacts with members; to keep them thoroughly informed regarding association affairs; to interpret conditions, policies, and regulations; to correct misunderstandings and combat misleading reports, and to carry on such educational work as may be necessary to assure membership loyalty, based on understanding, that is essential to ultimate success. Measuring the effectiveness of field service by deliveries should, therefore, take into consideration the methods by which deliveries are stimulated. Police methods and litigation may be effective temporarily, but a program depending on legal action to obtain support of members would eventually defeat its purpose. Coercion can not be substituted for education in providing an intelligent, informed, and sympathetic membership.

The organization of the field-service departments and the methods of conducting the work vary considerably in the different associations. Uniformity is being brought about, however, particularly in those associations connected with the American Cotton Growers' Exchange, through the adoption of the "uniform field-service plan" shown in Figure 11. This plan, which embodies the best experience of the several associations, was presented and approved at a field-service conference at Memphis, Tenn., December 5 and 6, 1924.

It provides for a director of field service in each organization, and for permanent district supervisors to be located in definite districts, each supervisor covering an area containing approximately 2,000 members. Under the district supervisors are the local solicitors or representatives, who are paid on a commission basis for temporary work, especially during the delivery season, in so-

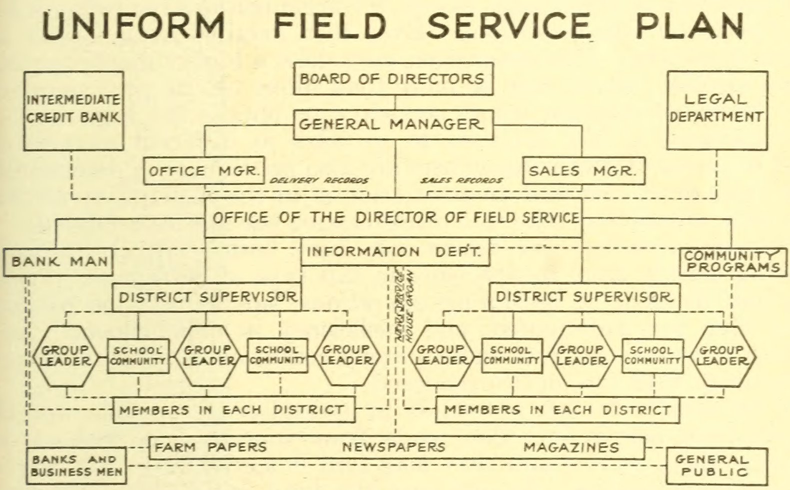

FIG. 11.—The field service organization and plan which was presented and approved at a conference of directors of field service, held at Memphis, Tenn., December 5–6, 1924, in the office of the American Cotton Growers' Exchange

liciting members and expediting deliveries. The plan also contemplates the grouping of members and the selection of group leaders, one such leader for each 10 members. This leader is the point of contact and the spokesman for the group. The school community is recognized as the basis for local grouping.

Immediately responsible to the field-service director, in the uniform plan, is a director of publicity, who edits the association's house organ that is sent to all members, issues a field-service bulletin exclusively for field workers, prepares booklets, newspaper and magazine articles, and other publicity material for various agencies and purposes. A bank man is provided for in the plan, in the event conditions warrant the employment of a representative to work exclusively with bankers and business men in furthering the interests of the association. A department of community programs is also provided for to give direct encouragement and assistance in the organization of rural communities.

The uniform field-service plan is not in effect in its entirety in the different associations, but is being developed so far as conditions permit or warrant. Eight associations maintain their own rather extensive field-service organizations with from 6 to approximately 40 employees; the Alabama and Louisiana associations have agreements with the farm bureau federations in their respective States whereby these organizations conduct or contribute to field work; the Mississippi staple, the Arizona, and the Missouri associations each have one man for this work; and the farmers' union association depends on its parent organization.

COSTS AND PRICES

A thorough analysis of marketing costs is beyond the scope of this discussion, and without such an analysis the publication of comparative figures is likely to be misleading. Comparisons of marketing costs are of little value, except for organizations rendering a like service under like conditions. Even then detailed explanations are often necessary. One association may show a higher marketing cost than another, which may be more than offset by the price received, the increased expense being necessary to obtain the higher price. Comparisons of net proceeds to growers in different associations and to members and nonmembers are also inadequate in determining the value or efficiency of an association or of the cooperative-marketing plan unless they take into consideration the service rendered.

In some instances association costs have been relatively high, resulting mainly from inexperience in this type of enterprise, unusual expense incident to beginning operations, smaller volume of business than was anticipated, and inefficiency in management. As a group, however, the costs under present conditions appear to be commensurate with the service rendered.

Undoubtedly further economies in operation are possible, and the associations may reduce their costs from time to time without impairing their service and they may find it advisable to improve or extend their service. In any case the kind and degree of service rendered should be the basis in determining whether operating costs are high or low.

In general, the cooperative associations, despite the mistakes and difficulties in their first few years of operation, have demonstrated many actual and potential advantages in cooperative effort in marketing cotton. Organized primarily to render service to their members, they have been, directly and indirectly, of economic benefit to the industry.

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