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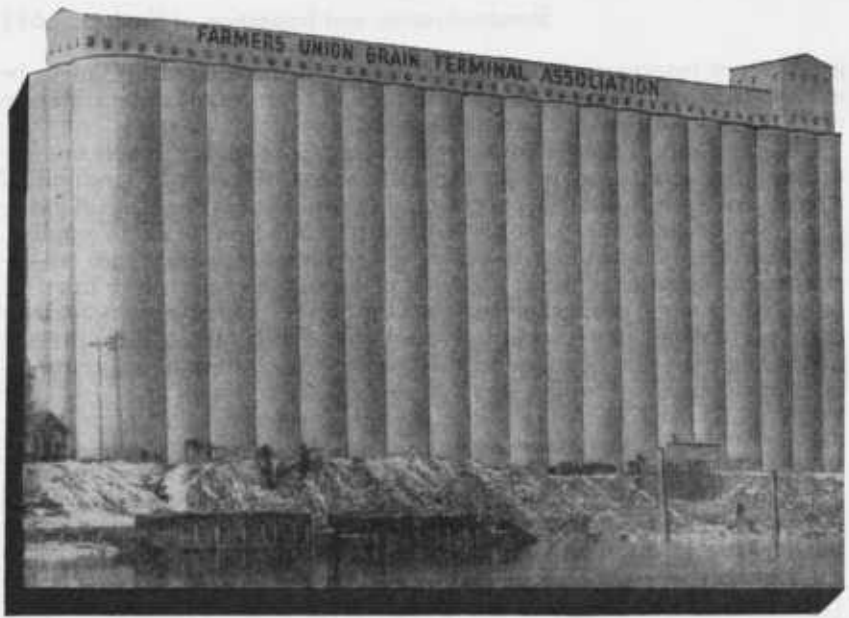
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Cooperative Marketing by Farmers

by E. A. STOKDYK ¹

FARMERS' cooperative marketing associations have now gained a firm foothold in the United States and are showing a remarkably healthy growth. There are 8,300 of these associations today, with 2½ million farmer members, doing an annual business of over \$2,000,000,000. Here is an account of this significant development. The author discusses the organization, nature, and functions of farmer cooperatives and devotes a good deal of attention to analyzing their legal status. He then summarizes the present position of the cooperatives handling each of seven major types of farm products—dairy products, poultry products, fruits and vegetables, grain, livestock, wool, and cotton. Even this, as he points out, does not tell the whole story, for there are now cooperatives in the United States handling many other farm products.

COOPERATIVE marketing of agricultural products is a well-established economic institution in the United States. In the 1937-38 marketing season approximately 2,500,000 farmers sold more than \$2,000,000,000 worth of agricultural products through 8,300 cooperative marketing associations.

In every State of the Union, as well as the District of Columbia and Puerto Rico, cooperative-marketing associations are now in operation

¹ E. A. Stokdyk was formerly Deputy Governor of the Farm Credit Administration. The writer is indebted to F. M. Hyre, E. Marks, W. C. Welden, and J. G. Knapp of the Farm Credit Administration for generous assistance in the preparation of this article.

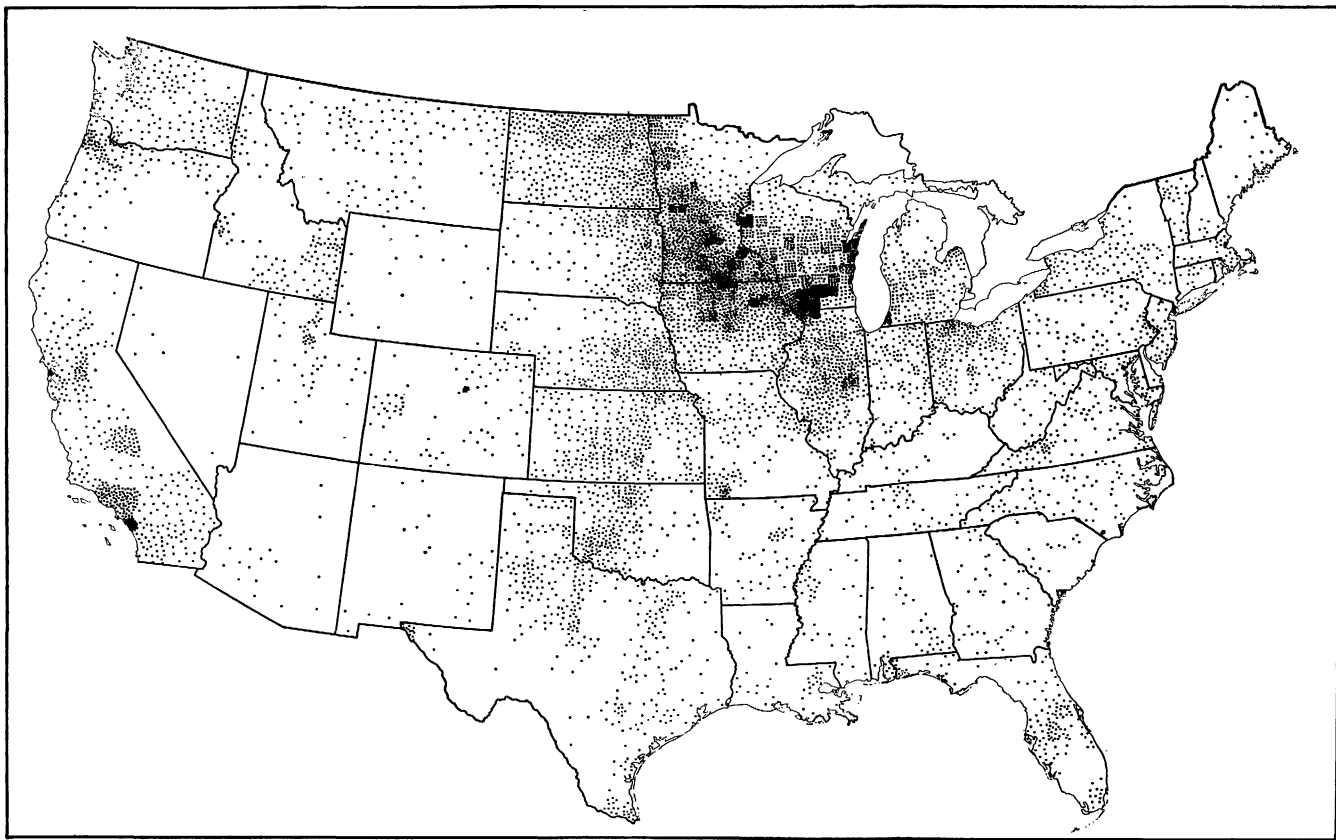


Figure 1.—Dots show the locations of the 8,300 farmers' cooperative associations in the United States.

(fig. 1). These associations are groups of farmers operating their own creameries, their own cheese factories, their own grain elevators, their own shipping associations, their own packing plants, their own sawmills, or their own sales agencies. The fundamental characteristic of a cooperative is that it is operated for the mutual benefit of its members as producers—not as stockholders. Advantages to a member accrue primarily through his patronage of the association and not because of any financial investment he may have made.

The legal status of such cooperative activity among farmers has been clarified through legislation and judicial interpretation. The legislatures in all of the States, as well as the Congress of the United States, have outlined standards for farmers' organizations, and the courts have interpreted them in the light of the economic objectives the associations have sought to attain.

The Federal and State Governments have encouraged these cooperative enterprises through special incorporation laws, exemption from certain taxes, loans from governmental and semigovernmental agencies, and advice and assistance through research and educational institutions.

Cooperatives themselves have become recognized as educational institutions. They are a vehicle for transmitting to farmers an understanding of the numerous forces and factors that affect the economic status of those engaged in agriculture. They are also an avenue for the dissemination of current information relating to State and Federal agricultural programs. In turn, they have assisted in planning and executing such programs.

The three broad economic objectives of cooperatives—lower costs, higher quality, and better service—are likely to receive increased emphasis in the future. Some of the objectives of some cooperatives are now being attained through State and Federal control programs. A steady and solid growth in cooperative marketing may be expected as a result of experience and of the advice and assistance being rendered by governmental agencies.

The 8,000-odd cooperative-marketing associations in the United States have seen their aggregate annual business grow in recent years (1933-38) to the 2-billion-dollar level, with 270 associations reporting sales of more than a million dollars each. According to estimates, they serve nearly 2½ million farmers (table 1). Commodities handled include practically every type of product grown on American farms and

Table 1.—Number of farmers' marketing associations, estimated membership, and estimated business for the 5-year period 1933-34 to 1937-38 ¹

Marketing season	Associations	Members	Volume of business ²	Marketing season	Associations	Members	Volume of business ²
	<i>Number</i>	<i>Number ²</i>	<i>Thousand dollars</i>		<i>Number</i>	<i>Number ²</i>	<i>Thousand dollars</i>
1933-34	9, 052	2, 464, 000	1, 213, 000	1936-37	8, 151	2, 414, 000	1, 882, 000
1934-35	8, 794	2, 490, 000	1, 343, 000	1937-38	8, 300	2, 500, 000	2, 050, 000
1935-36	8, 388	2, 710, 000	1, 586, 000				

¹ Compiled from data assembled by the History and Statistics Section, Cooperative Research and Service Division, Farm Credit Administration.

² Estimated.

ranches: Livestock, grain, cotton, fruits, vegetables, dairy products, eggs and poultry, wool, tobacco, rice, sugar, and many other items of lesser importance.

BACKGROUND OF THE COOPERATIVE MOVEMENT

Cooperative marketing as it exists in the United States today does not represent a sudden or spectacular change in the method of handling farm products. For more than half a century our farmers have participated in cooperative enterprises. As early as the 1870's, and in isolated cases even before that, groups of farmers were convinced that they could obtain certain services cheaper or better by providing these services for themselves on a cooperative basis. From that time to the present, through periods of prosperity and periods of depression, this idea has grown. In thousands of rural communities throughout the United States cooperative enterprises have been undertaken, with varying degrees of success or failure, but each experience has added to the knowledge of the cooperative way of doing business.

Many of the earlier associations have disappeared; but a few of those now active date back to the early days of the Granger movement, and over 2,000 associations have been operating continuously for more than 25 years (table 2). These older associations are most numerous in Minnesota, Wisconsin, and Iowa. This group is composed chiefly, though by no means exclusively, of creameries and cheese factories. Many of the grain elevators now operating were formed between 1910 and 1920. Many livestock-shipping associations also were organized in that period, their organization reaching a peak about 1919.

Table 2.—Marketing associations classified according to age ¹

Age (years)	Associa- tions	Ratio to total	Age (years)	Associa- tions	Ratio to total
	<i>Number</i>	<i>Percent</i>		<i>Number</i>	<i>Percent</i>
Less than 6.....	1, 142	14	21 to 25	1, 275	16
6 to 10	1, 063	13	Over 25	2, 028	24
11 to 15.....	890	11			
16 to 20.....	1, 753	22	Total	8, 151	100

¹ Compiled from data assembled during the 1936 Nation-wide survey of farmers' cooperatives. For a complete tabulation of the statistical data assembled during this survey see Farm Credit Bul. 26.

ORGANIZATION OF COOPERATIVE ASSOCIATIONS

Cooperatives are often referred to as nonprofit organizations. This, of course, does not mean that a cooperative association does not have capital; nor does it mean that an organization of this type will never make a purchase-and-sale transaction at a profit. What it does mean is that the earnings of the association—or the savings, as they might better be called—are returned to the patrons of the organization as dividends, whether in cash or in capital equities. These dividends are called patronage dividends. Patrons may be members or nonmember users of the association's services.

Patronage dividends do not necessarily provide a good measure of the benefits derived from cooperative organizations; however, they

do represent one of the tangible evidences of these benefits. A bargaining association may do much toward stabilizing a market and increasing the price paid to farmers. But this type of activity does not lend itself readily to accurate measurement. There is always the question of what the price would have been had the association not operated.

In 1936, the latest year for which complete information is available, patronage dividends returned by the marketing associations amounted to \$17,342,750 (table 3). This figure, of course, does not represent the total savings effected by cooperatives during that year. Part of the earnings were retained to build up the farmers' investment in their associations. Furthermore, many cooperatives have a policy of rendering services as near cost as possible and do not attempt to build up any earnings or surplus for later distribution to their members.

Table 3.—Patronage dividends paid in 1936 by marketing associations of each commodity type ¹

Commodity type	Associa- tions paying dividends	Patronage dividends paid	Commodity type	Associa- tions paying dividends	Patronage dividends paid
	<i>Number</i>	<i>Dollars</i>		<i>Number</i>	<i>Dollars</i>
Fruits and vegetables	350	7,529,850	Livestock	227	583,950
Grain	1,121	3,035,200	Miscellaneous selling	89	224,900
Dairy	647	2,915,950	Wool	15	4,250
Poultry	43	2,044,900			
Cotton	147	1,003,750	Total	2,639	² 17,342,750

¹ Compiled from data assembled during the 1936 Nation-wide survey of farmers' cooperatives.

² In addition to the \$17,342,750 returned by the marketing associations, \$8,037,250 was returned by purchasing associations, making a grand total of \$25,380,000.

If an association is to be truly cooperative, the control must be in the hands of its members. Equality among the members in the control of the affairs of the association is one of the oldest principles of cooperative endeavor. The association is managed by a board of directors selected from the ranks of the farmer-members. The one-man-one-vote rule is generally accepted, but it is not indispensable. Sometimes equality in voting among the members of a capital-stock association is furthered by limiting the number of shares a member may own. A few associations use patronage as a basis of voting rights (table 4).

Table 4.—Marketing associations classified according to basis of voting ¹

Basis of voting	Associa- tions	Ratio to total	Basis of voting	Associa- tions	Ratio to total
	<i>Number</i>	<i>Percent</i>		<i>Number</i>	<i>Percent</i>
One member, one vote	6,976	86	Other and unknown	55	1
Stock, or other forms of equity	1,003	12			
Patronage	117	1	Total	8,151	100

¹ Compiled from data assembled during the 1936 Nation-wide survey of farmers' cooperatives.

Eighty-six percent of all the farmers' cooperative-marketing associations operating in the United States use the one-member-one-vote

principle, while in 12 percent of the associations voting privileges are based on the ownership of stock or other types of membership equity. This latter practice is most prevalent in Illinois and Missouri.

In 117 marketing associations, most of which are located on the Pacific coast, voting privileges are based either on patronage alone or on a combination of patronage and membership. Where a combination of patronage and membership is used, the usual procedure is to allow each member 1 vote plus additional votes based on his patronage of the cooperative.

COOPERATIVE MARKETING AS AN EDUCATIONAL FORCE

An examination of the history of American agriculture, especially during the past 25 years, will show that probably no influence has been so potent in the economic education of farmers as their own efforts in cooperative marketing. In many cases these efforts have been apparently unsuccessful, but the very attempt on the part of farmers to solve their problems together has taught them basic economic truths. For example, such experience has tended to teach farmers how the law of supply and demand actually works, how the export market affects the particular commodities in which they are interested, and the relation of a sound condition in industry to agricultural prosperity. Much of this knowledge has come incidentally through their struggles to develop a cooperative-marketing system for their products.

The process of education in cooperatives comes largely through the way in which they function as democratic organizations. Experience in the operation of these associations has shown that they cannot succeed without full membership understanding, and this requires that members be kept informed on the problems of their industry by their hired executives. As a result, these associations hold membership meetings, issue publications, conduct market tours and grading demonstrations, hold cooperative institutes, and in many other ways stimulate thinking.

The operation of cooperative-marketing associations teaches farmers that agriculture is primarily a form of business. Many of the associations have even gone so far as to directly encourage farmers to keep detailed records on their individual business operations. For example, the many poultry associations encourage their members to keep records on egg production, while the dairy cooperatives often encourage similar studies of milk production. The annual reports and statistical information developed and distributed by such associations are of great importance in teaching business principles to farmers.

Cooperative-marketing associations have also taught farmers that the problem of marketing is closely related to the problem of production, since the efficient marketing of any agricultural product depends upon the adjustment of supply to demand. These associations have been forced to study the market to determine the demand for particular products. They have found from experience that the demand for agricultural products can be increased by an improvement in production methods that results in products of higher quality. The significance of such a cooperative association as the California Fruit

Growers Exchange is, in effect, as great in the field of quality improvement of its products as in the actual process of selling.

In many cases farmers are not willing to undertake general reforms in agricultural practices without a definite economic incentive for such action. Cooperative-marketing associations have in many cases provided this incentive through the assurance of higher returns or patronage dividends as a result of following recommendations. The cooperatives' method of paying returns on the basis of quality has directly furthered quality improvement and also standardization of grades.

Thus cooperative effort on the part of farmers has had a direct effect in improving the quality of products placed on the consumer's table. For example, the large egg-marketing associations have taken the lead nationally in raising the quality of eggs, while cooperative creameries have raised the general quality of butter. The fluid-milk bargaining associations have likewise done much to raise the hygienic standards for fluid milk. Again, until the advent of cotton cooperatives, cotton was largely sold as just cotton. There was little encouragement to growers to produce cotton of any particular grade and staple length, although cotton was sold to cotton mills on a grade and staple-length basis. Cotton cooperatives have done much to change this situation through premiums and discounts based on the ultimate commercial value of the product. Although much remains to be done in this direction, it is true that, through the activities of these associations, cotton growers, both members and nonmembers, have become conscious of the importance of staple length. Likewise through efforts in cooperative marketing farmers have been made aware of the importance of the protein content of wheat.

Until farmers attempt to market their products in cooperation they have little knowledge or experience of market abuses which may greatly reduce the economic value of their products. When they undertake a marketing program of their own, these abuses quickly come to the surface, and through the mechanism of the cooperative marketing association become known to the members. Some of the valuable legislation designed to remove marketing abuses and certain Federal services established for the same purpose have come about through the insistence of cooperative groups that these abuses be abolished. Cooperative-marketing associations, for example, played an important part in bringing about the enactment of the Packers and Stockyards Act, in improving the Federal crop-reporting service, and in securing more adequate statistical information on agricultural products and marketing, as well as in the enactment of Commodities Exchange legislation.

Cooperatives also serve an important function in transmitting information on the many forces that affect the economic status of farmers. The State colleges of agriculture, the United States Department of Agriculture, and the Farm Credit Administration disseminate their findings through cooperatives as well as through other agricultural agencies.

Cooperatives have taken an active part in the formulation and execution of State and Federal surplus-control programs and market-

ing agreements. In fact some of the most successful of such programs owe a large part of their success to cooperative-marketing associations.

FUNCTIONS OF COOPERATIVES

The three broad economic objectives of lowering costs, improving quality, and rendering improved service are common to most cooperative associations. Some have more specific objectives, and a few have attempted to obtain what were considered reasonable prices by limiting the quantity of goods moving into the ordinary channels of trade. A general objective—that of increasing farmers' bargaining power—is either stated or implied in all cooperative structures.

The majority of cooperative associations handle products sold in competitive markets where prices are made through the bids and offers of numerous buyers and sellers. They deal in commodities produced in many areas under highly competitive conditions. As a consequence, they can exert little influence on wholesale prices. They do, however, have a marked influence on local prices by narrowing the margin between wholesale or terminal-market prices and local prices. The method employed is to operate efficient local units, whether creameries, elevators, packing houses, or livestock-shipping associations. At the same time, the cooperatives have aimed to furnish more and improved marketing services by facilitating the delivery and handling of members' products.

After a cooperative has become established and attains efficient operation, its existence forces competitors to narrow their margins and render better service. Then the objective of the association becomes one of maintaining a reasonable margin and satisfactory services. In many agricultural areas in the United States cooperatives handling staple products have accomplished about all that can be expected in the way of narrowing the spread between terminal and local prices, improving marketing services, and improving the quality of their products. In some areas, however, there is need for the establishment of cooperatives to set the competitive pace. In still other areas there is an opportunity for cooperatives to correct an unsatisfactory competitive condition caused by an excessive number of dealers, each operating with a small volume and high overhead costs. In a few areas there is a chance for producers to increase their returns by forming cooperatives to utilize improved techniques or equipment which proprietary dealers are slow to adopt because of present investments.

Cooperatives that handle specialty crops usually have one or more objectives not common to those that handle staples. These include (1) the expansion of markets through advertising, (2) the timing of sales to the periods of strong and slack demand, (3) the distribution of a given available supply among markets to put equal pressure on all markets, (4) the promotion of reasonable dealers' margins, and (5) the adoption of grades and packages to meet the demands of various income groups.

It is likely that these objectives will receive increased emphasis in the future because, with the advent of State and Federal programs some of the problems which cooperatives formerly undertook single-handed are now undertaken by the entire industry. This develop-

ment has had a wholesome effect on cooperative activity, because it makes a distinction between marketing problems and the surplus problem. Some cooperatives have attempted to handle a surplus for an entire industry, but they have found that such activities placed undue burdens on their members, upon whom the entire cost of the removal of the surplus fell while nonmembers benefited equally. As a result, with few exceptions, cooperatives have abandoned surplus-control programs, and where such action is advisable they now insist that such programs be undertaken by the industry as a whole.

Some surplus-control programs have tended to weaken cooperative activity. On the other hand, control programs that are primarily volume-proration programs and leave the function of pricing to those who handle the products have stimulated associations that were efficient and weeded out the inefficient.

LEGAL STATUS OF COOPERATIVE MARKETING

During the early history of cooperative marketing in the United States cooperatives employed the corporate structure of private business. Some still do today. However, certain difficulties that arose in the maintenance of patron control of voting rights and in the conduct of business operations made it desirable for cooperatives to seek special incorporation acts which would permit restrictions on the transfer of shares and allow the distribution of earnings on a patronage basis.

Beginning in 1865, when the first cooperative statute, although not applicable to farmers, was enacted in Michigan, increasing legislative recognition has been accorded the special status of cooperative associations. The early statutes retained the capital-stock concept that prevailed in the field of corporations organized for profit, and it was not until 1895, when the California nonstock law was adopted, that the organization of nonstock cooperative associations was authorized by statute.

Each of the 48 States now has statutes for the incorporation by farmers of cooperative-marketing associations. These statutes have been construed by the courts as desirable and essential for organizations of a nonprofit character dealing in agricultural products. Generally speaking, the courts have come to recognize that cooperative-marketing associations are formed and are intended to operate on somewhat different principles from general corporations and that the members have, aside from their monetary interest, a common interest in the objects for which the associations are formed.

The comparatively few cooperative rights conferred by the early statutes have been greatly expanded as a more widespread recognition has been obtained of the public need for and benefit from cooperative efforts, and as experience in cooperative activities has demonstrated the necessity of additional legal safeguards and new procedures for accomplishing the proper purposes of cooperative associations.

In a large and increasing number of cases, farmers' cooperatives have availed themselves of the privileges and safeguards afforded them by these laws. Of the 8,151 farmers' cooperative marketing associations operating in the United States in 1936, 74 percent were

incorporated under cooperative laws, 14 percent were incorporated under general corporation laws, and 12 percent were unincorporated (table 5).

Table 5.—Marketing associations classified according to legal status ¹

Law under which incorporated	Associa-tions	Ratio to total	Law under which incorporated	Associa-tions	Ratio to total
	Number	Percent		Number	Percent
Cooperative stock	4, 166	51	Not incorporated.....	966	12
Cooperative nonstock	1, 904	23			
General corporation.....	1, 115	14	Total.....	8, 151	100

¹ Compiled from data assembled during the 1936 Nation-wide survey of farmers' cooperatives.

The cooperative character of an association does not depend upon whether it is incorporated under cooperative laws. Unincorporated associations or even associations incorporated under general corporation laws may be thoroughly cooperative if properly organized and operated. Fundamentally, the cooperative association must be operated for the benefit of its members as producers, not as stockholders.

The Capper-Volstead Act

The legal status of cooperative associations was by no means secure from the start, and much litigation and legislative effort was required before it was made so. Thus it was not made clear until 1922, with the enactment of the Capper-Volstead Act,² that a cooperative association was not, by reason of the manner in which it was organized and normally operated, a combination in restraint of trade in violation of the Federal antitrust statutes, even though no Federal court had so held. The Sherman Act did not exempt cooperative associations from its provisions, and although the Clayton Act³ recognized in a sense the nature of cooperative associations as such, it applied only to nonstock associations and afforded no protection for certain established practices of cooperatives. One of the distinct contributions of the Capper-Volstead Act was the definition of a cooperative association which it contained. This definition has served generally as a standard for cooperative organizations and activities.

In the meantime, in some of the States, the courts had held that the contracts or bylaws of cooperative associations operated to unduly restrain trade,⁴ or that the association was a combination in restraint of trade, and was unlawful under the State antitrust laws.⁵ Subsequent legislation and court decisions have led to a reversal of the holdings in these earlier cases.⁶

As a result of court decisions and statutory provisions, it is believed at the present time that a cooperative association which is properly organized and functions in a normal manner is not acting in violation of the antitrust statutes. It should be borne in mind, however,

² 42 Stat. 388, 7 U. S. C. 291.

³ 38 Stat. 730, 15 U. S. C. 12.

⁴ *Reeves v. Decorah Farmer's Cooperative Society*, 160 Ia. 194, 140 N. W. 844; *Burns v. Wray Farmers' Grain Company*, 65 Colo. 425, 176 P. 487.

⁵ *Ford v. Chicago Milk Shippers' Association*, 155 Ill. 166, 39 N. E. 651.

⁶ *Clear Lake Co-Op. Livestock Shippers' Association v. W'cir*, 200 Ia. 1293, 206 N. W. 297; *Rifle Potato Growers' Cooperative Association v. Smith*, 78 Colo. 171, 240 P. 937; *Milk Producers' Marketing Company v. Bell*, 235 App., 222.

that the antitrust statutes do apply to cooperative associations, and if they engage in prohibited practices, such as boycotting, or in other activities the effect of which is in fact unduly to restrain trade, they may be prosecuted or held liable in damages in the same manner as other business enterprises.⁷

Special Statutes

As previously indicated, it may be said that the special character and functions of cooperative associations have received rather full recognition by both Federal and State Governments. Thus, a cooperative association which meets the statutory requirements is exempted from the payment of income⁸ and other Federal taxes and from the necessity of registering its securities with the Securities and Exchange Commission.⁹

A cooperative association is also entitled to receive advice and service from the Cooperative Research and Service Division of the Farm Credit Administration¹⁰ and, upon meeting the statutory requirements, is entitled to borrow from the banks for cooperatives;¹¹ is entitled to representation on boards of trade under the Commodity Exchange Act;¹² and is also entitled to certain exemptions under the Motor Carrier Act.¹³

In addition, the special nature of cooperatives has received recognition in the Soil Conservation and Allotment Act as Amended,¹⁴ the Robinson-Patman Act,¹⁵ the Agricultural Marketing Agreements Act of 1937,¹⁶ and other Federal statutes.

Cooperative associations, like other corporations, are the creatures of statutes, and at present the cooperative acts of the 48 States, generally speaking, give associations properly incorporated thereunder rather broad powers for organization and operation and a certain latitude in such matters as financing, membership control, marketing contracts, distribution of earnings, and the character of business which may be transacted. In many of the States, by statute, an association may recover liquidated damages for breach of its contracts¹⁷ and injunctive relief against its members and against others for interfering with the performance of the marketing agreements of members.¹⁸

Further recognition of the special character of the cooperative associations is reflected in State statutes exempting such associations from various tax and licensing statutes.

Many of the State statutes have copied the Bingham Cooperative Marketing Act of Kentucky¹⁹ and contain provisions either identical with or similar to provisions of the Kentucky act. Under these statutes there has developed and is developing a body of case law that is

⁷ *United States v. Borden*, 308 U. S. 188, 60 S. Ct. 182, 84 L. E. 143; *State v. Standard Oil Company et al.*, 130 Tex. 313, 107 S. W. (2d), 550; *Hy-Grade Dairies v. Falls City Producers' Association*, 261 Ky. 25, 86 S. W. (2d), 1046.

⁸ 52 Stat. 480, 26 U. S. C. 101, par. 12.

⁹ 48 Stat. 74, 15 U. S. C. 77c.

¹⁰ 44 Stat. 802, 7 U. S. C. 455.

¹¹ 48 Stat. 262, 264, 49 Stat. 317, 50 Stat. 717, 12 U. S. C. 1134c.

¹² 49 Stat. 1491, 7 U. S. C. 1.

¹³ 49 Stat. 545, 49 U. S. C. 303 (b) (4b).

¹⁴ 52 Stat. 31, 16 U. S. C. 590.

¹⁵ 49 Stat. 1526, 15 U. S. C. 13.

¹⁶ 50 Stat. 246, 7 U. S. C. 601.

¹⁷ *Milk Producers' Association of San Diego County v. Webb*, 97 Cal. App. 650, 275 P., 1001.

¹⁸ *Local Dairymen's Cooperative Association v. Potvin*, 54 R. I. 430, 173 A., 535.

¹⁹ Acts of Kentucky, 1922, Ch. 1, Carroll's Ky. Statutes, Baldwin's 1936 Revision, S883f 1-41.

becoming rather well defined and establishes the rights and liabilities of cooperative associations under stated circumstances.

Since cooperative associations are usually incorporated, the general corporation statutes and court decisions on corporate procedure and practices are frequently applicable to situations in which the special character of a cooperative association is not directly in question, and many cases concerning cooperative associations treat such associations just like other corporations.

Although much remains to be accomplished in improving and perfecting the cooperative statutes, and particularly the corporate structures, forms, practices, and contracts of individual associations, it may be said that cooperative associations have established a definite legal status in both Federal and State law, and have won general recognition and understanding of their special character and functions.

THE PRINCIPAL TYPES OF FARMER COOPERATIVES IN THE UNITED STATES

Dairy Products

In volume of business and number of members, dairy cooperatives lead those of all other commodity groups. Scattered throughout 45 States are more than 2,400 dairy cooperative organizations selling milk, cream, butter, cheese, and other dairy products for almost three-quarters of a million farmers (fig. 2). Approximately 48 percent of all the fluid milk, 39 percent of all the butter, 25 percent of all the cheese, and lesser amounts of other dairy products pass through the hands of cooperative-marketing organizations at one stage or another



Figure 2.—Modern plant of one of the 2,400 dairy cooperative organizations.

as these products move from farmer to consumer. During the last 5-year period, the number of cooperative dairy marketing organizations increased from 2,286 to 2,421, and during this same time sales increased from \$380,000,000 to \$687,000,000 (table 6).

Table 6.—Number of dairy marketing associations, estimated membership, and estimated business for the 5-year period 1933–34 to 1937–38 ¹

Marketing season	Associations	Members	Volume of business ²	Marketing season	Associations	Members	Volume of business ²
	<i>Number</i>	<i>Number ²</i>	<i>Thousand dollars</i>		<i>Number</i>	<i>Number ²</i>	<i>Thousand dollars</i>
1933–34.....	2, 286	757, 000	380, 000	1936–37.....	2, 338	656, 900	577, 100
1934–35.....	2, 300	750, 000	440, 000	1937–38.....	2, 421	700, 000	686, 000
1935–36.....	2, 270	720, 000	520, 000				

¹ Compiled from data assembled by the History and Statistics Section, Cooperative Research and Service Division, Farm Credit Administration.

² Estimated.

Oldest of the dairy associations are the cooperative cheese factories. Concentrated largely in Wisconsin and surrounding States, 543 producer-owned plants are making each year approximately 150,000,000 pounds, or about one-fourth of all the cheese made in this country. In 1936 the output of these 500-odd plants was valued at \$24,133,000. Averaging about 30 members each and with annual sales that average less than \$50,000 for each association, the cheese factories are the smallest of the dairy cooperatives.

More than 200,000 dairy farmers producing milk and cream for fluid use look to cooperative organizations to find a market for these products. About 140,000 of these dairy farmers are members of fluid-milk bargaining associations, of which there are more than 100 now in operation. The others are members of associations that go a step further than bargaining, actually taking title to the milk and processing part of the supply. In some cases the milk is pasteurized, bottled, and carried to the consumers' doorsteps by the cooperative, but usually the fluid milk is sold on a wholesale basis.

The conversion of milk or cream into butter is the primary work of approximately 1,400 cooperative creameries. Through these cooperatively operated plants, farmers are selling about 500,000,000 pounds of butterfat each year. Scattered across the country from Vermont to California, cooperative creameries now are operating in at least 28 States; but, as would be expected, they are most numerous in the heavy butter-producing region comprising the North Central States. Minnesota alone has 600 such creameries, Iowa has 260, and Wisconsin 220. In each of these three States more than half of the factory-made butter comes from cooperative plants.

Poultry Products

The principal business of 194 associations is marketing eggs and poultry for 106,000 farmers. During the 5 years ended in 1938, the number of poultry associations increased from 147 to 194 and the volume of business from \$48,000,000 to \$91,000,000 (table 7). In addition to these 194 egg and poultry associations, some 700 other cooperatives are handling poultry products as side-line enterprises.

Chief among these are a number of local cooperative creameries, most of them in the Middle Western States.

Table 7.—Number of egg and poultry associations, estimated membership, and estimated business for the 5-year period 1933-34 to 1937-38 ¹

Marketing season	Associations	Members	Volume of business ²	Marketing season	Associations	Members	Volume of business ²
	<i>Number</i>	<i>Number ²</i>	<i>Thousand dollars</i>		<i>Number</i>	<i>Number ²</i>	<i>Thousand dollars</i>
1933-34.....	147	73,000	48,000	1936-37.....	180	112,500	72,000
1934-35.....	164	85,000	53,000	1937-38.....	194	106,000	91,000
1935-36.....	154	93,000	69,000				

¹ Compiled from data assembled by the History and Statistics Section, Cooperative Research and Service Division, Farm Credit Administration.

² Estimated.

In California, Oregon, Washington, Utah, and Idaho, where intensive commercial poultry production has developed on a large scale, poultrymen now own and operate some of the world's largest egg, poultry, and turkey marketing associations. At least eight associations located in this area transact an annual volume of business in excess of \$1,000,000 each. The business of some of these associations exceeds the \$10,000,000 level when feed and other supplies handled are included. Many progressive practices have been instituted by this group of organizations; for example, box packing of turkeys on a Government-graded basis, oil treatment of shell eggs to improve their keeping quality, and the cleaning of eggs by the sandblast process.

In the Eastern States, where the producing areas lie within easy reach of large consuming centers, the auction method of selling eggs and poultry has become very popular. In this area, 26 egg and poultry auctions are now in operation. The first of these was organized in Flemington, N. J., in 1930. Since that time additional ones have been formed in Pennsylvania, New York, Connecticut, Massachusetts, Rhode Island, New Hampshire, Ohio, Indiana, and Maryland, as well as at four other points in New Jersey. Through these associations 13,068 poultrymen in 1937 sold 947,210 cases of eggs and 172,314 crates of poultry, the combined value of which was more than \$10,000,000.

In the Middle Western States, the production of eggs and poultry is a side-line enterprise on most farms, and the marketing of these products is likewise a side line with many cooperatives in this area. In contrast with the specialized and commercial poultry farms of the far West, production is on a much smaller scale. A farm flock of not more than 100 hens is the general rule. These producers pay less attention to quality and grade and know less about the value of their eggs than the large-scale poultrymen. This situation is not particularly conducive to the development of poultry marketing organizations as such. It is here that most of the 700 or so cooperative associations that market poultry products as a side line to the handling of other commodities are located.

The greatest development of this type has occurred in Missouri. Here the eggs and poultry are assembled through local exchanges and then moved to concentration points, where the eggs are candled,

graded, and packed, and much of the poultry is dressed before being moved to eastern markets in full carlots. In some other parts of the Middle West, especially in Minnesota, the local creamery provides a convenient place for assembling and handling eggs. The farmer can deliver his eggs and cream at the same time.

Fruits and Vegetables

In all of the important commercial growing areas, producers of fruits and vegetables have developed cooperative marketing organizations. More than 1,100 such associations are now operating in 45 States. During the 1937-38 marketing season these associations marketed approximately \$300,000,000 worth of products for 164,000 members (table 8). The greatest development has occurred in production areas farthest from the large eastern markets. California, with 371 associations, through which 37,000 growers marketed \$151,000,000 worth of products during the 1937-38 season, leads all other States. Florida, with 85 associations, is the second leading State and is followed by Oregon, Colorado, and Washington (table 9).

Table 8.—Number of fruit and vegetable marketing associations, estimated membership, and estimated business, 5-year period 1933-34 to 1937-38 ¹

Marketing season	Associations	Members	Volume of business ²	Marketing season	Associations	Members	Volume of business ²
	<i>Number</i>	<i>Number ²</i>	<i>Thousand dollars</i>		<i>Number</i>	<i>Number ²</i>	<i>Thousand dollars</i>
1933-34.....	1, 194	185, 000	182, 000	1936-37.....	1, 104	144, 700	282, 000
1934-35.....	1, 082	158, 000	200, 000	1937-38.....	1, 164	164, 000	300, 000
1935-36.....	1, 063	166, 000	212, 000				

¹ Compiled from data assembled by the History and Statistics Section, Cooperative Research and Service Division, Farm Credit Administration.

² Estimated.

Table 9.—Number of fruit and vegetable marketing associations, estimated membership, and estimated business for leading States, 1937-38 marketing season ¹

State	Associations	Membership	Volume of business ²	State	Associations	Membership	Volume of business ²
	<i>Number</i>	<i>Number ²</i>	<i>Thousand dollars</i>		<i>Number</i>	<i>Number ²</i>	<i>Thousand dollars</i>
California.....	371	37, 000	151, 000	Michigan.....	54	5, 500	9, 380
Florida.....	85	5, 400	21, 000	New York.....	39	5, 800	7, 000
Oregon.....	57	9, 800	19, 000	All others.....	458	76, 100	64, 120
Colorado.....	32	12, 400	15, 000				
Washington.....	68	9, 000	13, 500	Total.....	1, 164	164, 000	300, 000

¹ Compiled from data assembled by the History and Statistics Section, Cooperative Research and Service Division, Farm Credit Administration.

² Estimated.

Approximately 60 percent of all the citrus fruit produced in this country is marketed by cooperative organizations. In the California-Arizona area, the proportion marketed cooperatively reaches 85 to 90 percent. Cooperatives have done much to increase the consumption of citrus fruits—oranges, lemons, and to a lesser extent, grapefruit and tangerines—by judicious advertising and by placing on the market a well-graded product.

In the cranberry industry, also, cooperatives have been an important factor in expanding markets by carefully planned advertising

and by wise handling of the crop. Fully 60 percent of the cranberry crop is placed on the market by cooperative organizations.

Possibly no other vegetable is handled more widely by cooperatives than are potatoes. More than 180 associations scattered over 33 States are now marketing this product. Not all of these are strictly potato associations, as many of them also handle fruits and vegetables of other types. Apples coming mainly from the Pacific Northwest, the Shenandoah Valley, and the commercial areas of Michigan and New York are handled by 78 associations. Strawberries from Louisiana, Missouri, Arkansas, Kentucky, the Eastern Shore of Virginia, and other commercial areas find their way to market through 125 cooperative associations.

Many other fruits and vegetables are handled in substantial volume by cooperative organizations. Some of the more important of these are included in the list below:

<i>Product</i>	<i>Net sales by cooperatives ¹</i>	<i>Product</i>	<i>Net sales by cooperatives ¹</i>
Citrus-----	\$124, 748, 000	Pears-----	\$3, 883, 000
Potatoes-----	21, 073, 000	Celery-----	3, 146, 000
Grapes ² -----	17, 279, 000	Cherries-----	2, 627, 000
Apples-----	11, 740, 000	Tomatoes-----	1, 933, 000
Prunes-----	7, 640, 000	Apricots-----	1, 604, 000
Strawberries-----	7, 607, 000	Lettuce-----	1, 468, 000
Cranberries-----	6, 155, 000	Avocados-----	1, 363, 000
Peaches-----	4, 632, 000	Olives and olive oil---	1, 249, 000
Lima beans-----	4, 092, 000	Asparagus-----	1, 242, 000
Peas-----	4, 063, 000	Beans, green-----	1, 240, 000

¹ Data from 1936 Nation-wide survey of farmers' cooperatives.

² Includes table grapes, raisins, grapejuice, and wine.

At least 16 other vegetables, 4 other kinds of fruit, and 2 other types of berries are now handled by cooperatives, but in volumes of less than \$1,000,000 each.

Grain

Starting well back in the 1800's, the cooperative movement among grain growers had a rather firm foothold in this country before the turn of the century. However, the most active period, as measured by the number of new associations formed, did not occur until 15 to 20 years after 1900. Stimulated by an increasing acreage of wheat and corn during the World War period, cooperative elevators made their most rapid growth between 1915 and 1921. The peak in number of grain marketing associations was reached in the early 1920's, when about 4,000 such organizations were operating.

Since that time there has been some decline in the number of associations, but this has not necessarily been accompanied by a corresponding decline in volume of grain handled. As changing conditions have brought better means of transportation, a considerable number of weak local associations have been eliminated, the members and business gravitating to the larger and more efficient organizations.

Nearly all the local elevators handle coal, feed, salt, and other farm supplies. In some instances, particularly in northern Ohio and Indiana, the volume of supplies handled now exceeds the volume of grain marketed, and these associations are more logically classified as purchasing associations, although they still handle considerable quantities of grain for their member-patrons.

For the 1937-38 marketing season, 2,619 grain associations reported an aggregate business of \$475,000,000 and a total membership of 360,000 (table 10).

Table 10.—Number of grain¹ associations, estimated membership, and estimated business for the 5-year period 1933-34 to 1937-38²

Marketing season	Associations	Members	Volume of business ³	Marketing season	Associations	Members	Volume of business ³
	<i>Number</i>	<i>Number²</i>	<i>Thousand dollars</i>		<i>Number</i>	<i>Number²</i>	<i>Thousand dollars</i>
1933-34	3,178	600,000	285,000	1936-37	2,614	362,000	397,900
1934-35	3,125	580,000	315,000	1937-38	2,619	360,000	475,000
1935-36	3,010	610,000	360,000				

¹ Includes dry beans and rice.

² Compiled from data assembled by the History and Statistics Section, Cooperative Research and Service Division, Farm Credit Administration.

³ Estimated.

⁴ Includes an unknown number of patrons who were not members.

The typical local cooperative elevator has a membership of 100 to 200 persons, each of whom owns one or more shares of stock in the organization. Ordinarily dividends on capital are limited to 8 percent or less and voting to one vote per member, regardless of the number of shares owned. Grain is received from both members and non-members, and generally the prevailing price is paid at the time of delivery. Supplies likewise are sold at going prices. Any earnings or savings made by the associations are later distributed as patronage dividends on the basis of the volume of business transacted. Some associations distribute patronage dividends to all patrons, and others only to members.

Many of the local elevators hold membership in large regional sales agencies through which much of the grain is marketed.

Livestock

Meat animals are one of the most important commodities produced on American farms and ranches. Cooperative organizations are playing an important role in the marketing of these animals (fig. 3). Approximately 600,000 producers now hold membership in 900-odd associations engaged in shipping and marketing livestock. During the 1937-38 season the business transacted by these associations exceeded \$300,000,000 (table 11).

Table 11.—Number of livestock associations, estimated membership, and estimated business for the 5-year period 1933-34 to 1937-38¹

Marketing season	Associations	Members	Volume of business ²	Marketing season	Associations	Members	Volume of business ²
	<i>Number</i>	<i>Number²</i>	<i>Thousand dollars</i>		<i>Number</i>	<i>Number²</i>	<i>Thousand dollars</i>
1933-34	1,371	410,000	162,000	1936-37	1,012	549,000	320,000
1934-35	1,197	410,000	175,000	1937-38	926	600,000	312,000
1935-36	1,040	600,000	250,000				

¹ Compiled from data assembled by the History and Statistics Section, Cooperative Research and Service Division, Farm Credit Administration.

² Estimated.



Figure 3.—“Market toppers” in a pen of the Central Cooperative Association, South St. Paul, Minn. Cooperative commission associations handle approximately one-fifth of all the livestock received in public stockyards.

Cooperative livestock-marketing associations may be divided roughly into two groups—those operating primarily at terminal markets and those operating primarily in the country. The first group is composed mainly of large terminal sales agencies handling livestock on a commission basis. The latter group is composed chiefly of local associations engaged primarily in assembling and shipping. A few of the local associations do their own selling, but a large majority of them consign the livestock to commission associations at the terminal market.

Dating back to 1883, the local livestock-shipping associations represent a much older movement than does the terminal agency. In many areas local shipping associations were well established when the present terminal agencies first made their appearance. The years 1917–23 proved to be the period of maximum growth in the local-shipping-association movement. At its peak more than 2,300 associations were shipping livestock cooperatively. One of the primary purposes was to assemble livestock in carlots and thus take advantage of carlot transportation.

With the coming of hard-surfaced roads, the movement of livestock by motortruck caused the local shipping associations to become less active and in many cases to cease operations altogether. During recent years direct buying on the part of packers has caused the number of active associations to decline still further. In 1938 approximately 850 were still in operation. Many of these had turned their attention to truck transportation. Some of them own their

own trucks and do the hauling themselves. Others function more or less as "bargaining" agencies in arranging with private truckers to haul the livestock under terms and conditions favorable to the livestock producers.

Judging from the increase in the number of members served (table 11), the decline in number of local shipping associations has not seriously affected the terminal agencies. Many farmers who once shipped through the local associations now are sending their livestock by truck direct to the cooperative commission associations on the terminal market.

Cooperative terminal sales agencies are now operating on practically all of the larger livestock markets in this country as well as on some of the smaller ones. On many of these markets the largest single agency is a farmer-owned organization. Receiving each year from 10 to 15 million head of cattle, calves, hogs, and sheep, the cooperative commission associations handle approximately one-fifth of all livestock sold at public stockyards.

In 1917 the Farmers' Union of Nebraska established the Farmers' Union Livestock Commission on the Omaha market. This was the first of the present commission associations. From that time on, the movement expanded rather rapidly; in 1925, 28 cooperative commission associations were in operation. By May 1939, 43 associations with 12 branch agencies were operating on 42 markets and, in addition, 5 regional or State associations were operating at places other than terminal markets. In 1938 these 60 large-scale cooperative agencies handled 12,286,914 head of livestock (table 12).

Table 12.—Livestock handled by cooperative sales agencies,
5-year period 1934–38 ¹

Year	Agencies ²	Livestock handled	Year	Agencies ²	Livestock handled
	<i>Number</i>	<i>Head</i>		<i>Number</i>	<i>Head</i>
1934.....	51	13, 710, 949	1937.....	57	13, 052, 441
1935.....	55	11, 965, 517	1938.....	³ 60	³ 12, 286, 914
1936.....	55	13, 846, 348			

¹ Compiled by the Livestock Section, Cooperative Research and Service Division, Farm Credit Administration.

² As used here, an agency means a complete operating unit with its own manager, staff of salesmen, and accounting system. Some associations maintain agencies at more than one market.

³ Preliminary.

The commission associations at the terminal markets receive the consigned livestock and take care of the yarding, feeding, watering, sorting, and selling. In addition to handling livestock for sale, they also purchase stockers and feeders for their member-patrons.

Wool

Approximately 50,000 ranchers and farmers scattered throughout the United States are marketing wool cooperatively. During the 1937–38 season this group of wool growers sold \$11,300,000 worth of wool through 130 cooperative organizations (table 13). The greater part of the wool marketed cooperatively is handled by 25 or 30 large-scale centralized associations, which operate on a State-wide or

regional basis. These cooperatives assemble, grade, warehouse, and sell the wool for their member-patrons. Much of the wool handled by this group of associations is marketed through the National Wool Marketing Corporation in Boston.

Table 13.—Number of wool and mohair associations, estimated membership, and estimated business for the 5-year period 1933–34 to 1937–38 ¹

Marketing season	Associations	Members	Volume of business ²	Marketing season	Associations	Members	Volume of business ²
	Number	Number ²	Thousand dollars		Number	Number ²	Thousand dollars
1933–34-----	120	63,800	13,700	1936–37-----	139	79,200	11,500
1934–35-----	119	71,000	15,700	1937–38-----	130	50,000	11,300
1935–36-----	114	51,400	11,000				

¹ Compiled from data assembled by the History and Statistics Section, Cooperative Research and Service Division, Farm Credit Administration.

² Estimated.

The remainder of the associations are mostly local wool pools. Generally, these organizations are small and often serve but a single county. In most cases they are informally organized and are frequently inactive except for a month or two after shearing time. The wool is assembled and offered for sale to the highest bidder, consigned to another cooperative or a private sales agency, or sold direct to mills.

Cotton

Cooperation among cotton farmers has developed along three distinct lines: (1) Cotton marketing associations, (2) cotton gins (fig. 4), and (3) cottonseed-oil mills.



Figure 4.—Cotton being delivered to a farmer-owned ginning plant. No other phase of cooperation is making greater gains in the South at present than the ginning movement. More than half the 500-odd cooperative gin associations now operating in this country are less than 5 years old.

Located at strategic points throughout the Cotton Belt are 15 large-scale centralized marketing associations, most of which are operating on a State-wide or regional basis. These associations report a total aggregate membership of 280,000 cotton farmers, and during the crop year of 1938-39 they handled 1,522,037 bales of cotton. Approximately half of this was Government-loan cotton. During the 5 years ended in 1939 the proportion of the total cotton crop handled by the marketing associations ranged from 12.2 percent to 17.5 percent (table 14). Only once during the last 15 years has the aggregate annual volume dropped below the 1,000,000-bale level. Three times during that period it has exceeded 2,000,000 bales.

Table 14.—Cotton handled by large-scale cooperative cotton-marketing associations, 6-year period 1933-34 to 1938-39 ¹

Marketing season	Associa- tions	Cooperative deliveries			Total gin- nings han- dled coop- eratively ³
		Bales for sale	Bales for Govern- ment loan ²	Total bales handled	
	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Percent</i>
1933-34.....	15	1,104,975	651,111	1,756,086	13.9
1934-35.....	15	847,397	811,193	1,658,590	17.5
1935-36.....	15	1,456,238	59,365	1,515,603	14.5
1936-37.....	15	1,863,629		1,863,629	15.3
1937-38.....	15	1,541,355	691,091	2,232,446	12.2
1938-39.....	15	723,005	799,032	1,522,037	13.1

¹ Compiled from data assembled by the Cooperative Research and Service Division, Farm Credit Administration.

² This service consisted mainly of classing and filling out loan documents.

³ Running bales as reported by the U. S. Bureau of the Census.

The cotton-gin movement has reached its greatest development in Texas and Oklahoma, where 20 to 25 percent of the crop is ginned through farmer-owned and farmer-operated plants. In these two States alone more than 400 cooperative gins have been organized within the last 20 years, fully half of them within the last 5-year period. At present there are more than 70 gin associations in Mississippi, nearly all of which are less than 5 years old.

The movement is gradually spreading to other cotton States, and at least a few such organizations are now to be found in New Mexico, Arizona, California, Louisiana, Alabama, and several other Southern States. In some regions where ginning charges were high, opportunities for savings have been great. Some of the earlier cooperative gins were able to pay for their plants out of savings within a relatively short period.

In addition to ginning seed cotton and supplying the bagging and ties necessary for wrapping the bales, the cooperative gin ordinarily markets the cottonseed for its members. In some instances these organizations also market a part of the cotton lint.

Ordinarily cottonseed is sold by the cooperative gins to private oil mills, but during recent years cotton growers in certain areas have undertaken to extend their cooperative activities into the crushing field. At the present time there are six cooperative oil mills in operation. The oldest of these is at Minter City, Miss. This associa-

tion was organized in 1922 and has operated continuously since that date. Of the other five, two were organized in 1934, two in 1937, and one in 1939. During the 1937-38 season the five associations then operating crushed a total of 107,900 tons of seed at an estimated saving of more than \$350,000 for the member-growers.

All told, 415 cotton associations were in operation during the 1937-38 marketing season (table 15). As indicated previously, 15 of these were large-scale selling agencies, 5 were oil mills, and the remainder were cooperative gins. During the year the aggregate sales of these 415 associations amounted to \$110,000,000.

Table 15.—Number of cotton associations, estimated membership, and estimated business, 5-year period 1933-34 to 1937-38¹

Marketing season	Associations	Members	Volume of business ²	Marketing season	Associations	Members	Volume of business ²
	<i>Number</i>	<i>Number</i> ³	<i>Thousand dollars</i>		<i>Number</i>	<i>Number</i> ³	<i>Thousand dollars</i>
1933-34.....	250	200,000	100,000	1936-37.....	401	341,800	138,500
1934-35.....	305	255,000	100,000	1937-38.....	415	350,000	110,000
1935-36.....	311	300,000	110,000				

¹ Compiled from data assembled by the History and Statistics Section, Cooperative Research and Service Division, Farm Credit Administration.

² Includes some Government-loan cotton.

³ Estimated.

Probably no other phase of cooperation in the South is making greater gains at the present time than is the gin movement. The number of "co-op" gins has increased since the close of the 1937-38 season, and well-informed persons have stated that the number now exceeds 500.

Other Products Handled Cooperatively

More than 15,000 farmers, located mainly in California, Oregon, Georgia, and Virginia, are marketing nuts cooperatively. During the 1937-38 season, 52 active nut associations reported an aggregate business of \$15,800,000.

Eleven associations, having a combined membership of 70,000, are marketing tobacco. Marketing hay is the principal enterprise of 8 associations and a secondary enterprise of at least 40 others. There are 25 to 30 sugar-beet bargaining associations. In the Southern States 8 or 10 cooperatives are manufacturing cane sugar. And one or more associations are handling each of the following products: Maple sirup and maple sugar, honey, timber, nursery stock, pulpwood, tung oil, broomcorn, and fox fur.