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The Banker-Farmer

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News Bulletin

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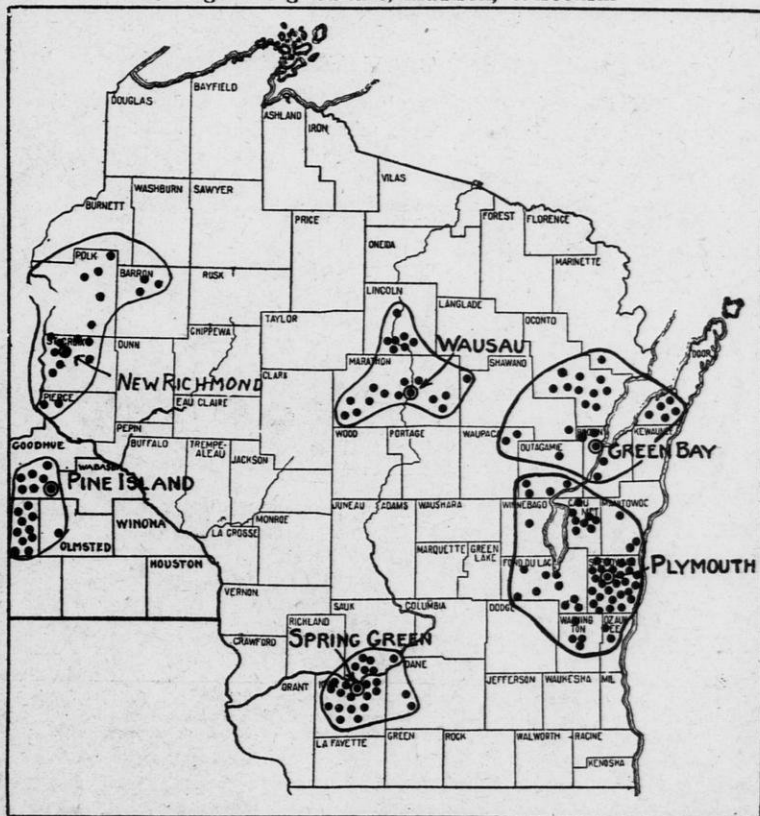
A Little Journal of Agricultural
Information for the Farmer

BULLETIN No. 35

JULY, 1923

Cooperative Marketing Demands an Effective System of Distribution of Product That Will Bring the Producer Better Prices.

By THEODORE MACKLIN
College of Agriculture, Madison, Wisconsin



Each of these black dots represents a community of cheese producing farmers who are cooperating to apply merchandizing principles to Wisconsin conditions.

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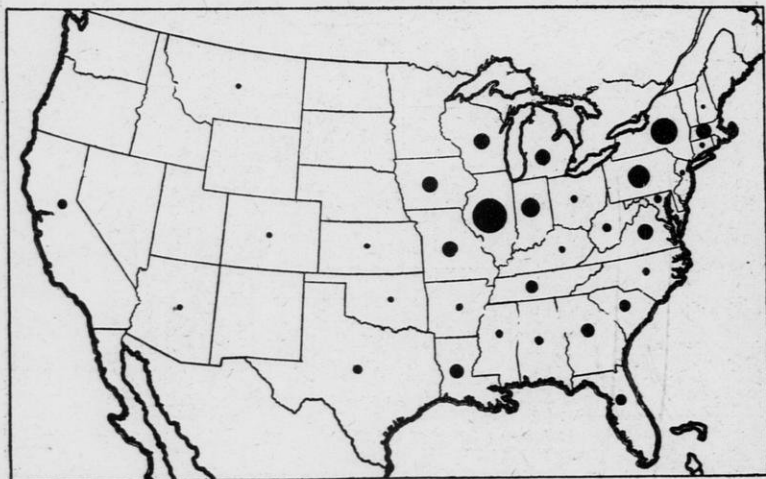
Cooperative Marketing Demands an Effective System of Distribution of Product That Will Bring The Producer Better Prices.

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Consumers do many things by force of custom or habit. To break into the habit of buying a given product by the common statement of the retailer "We are just out of that" and "this other something is just as good" does not help the farmer sell cheese through his system or to sell any other product marketed cooperatively. To continue disappointment to consumers in this way a few times, dismisses from their minds the idea of buying the article you have spent money on advertising. As a consequence, then of these dissatisfied consumers, demand falls and so do prices. Why? Simply because distribution of the product had not been effective.

GOOD MUST BACK ADVERTISING

To make good on the advertising investment the product must be in the retail store at all times when advertising is done. This means that distribution must be guaranteed to the full satisfaction of the consumer and the trade. Without this guarantee trouble is



Wisconsin Cheese Producers' Federation has already made a fine start in applying merchandizing principles by having a distribution system that placed its product last year in 42 states and in Mexico. There is still plenty of room for improvement.

bound to occur and trouble means more loss and waste to the owners of the organization, to the producers of the product, than to anyone else. Consumers will forget it. Their forgetting is your ruin. It takes distribution of the product to maintain worthwhile relations with the trade and with consumers.

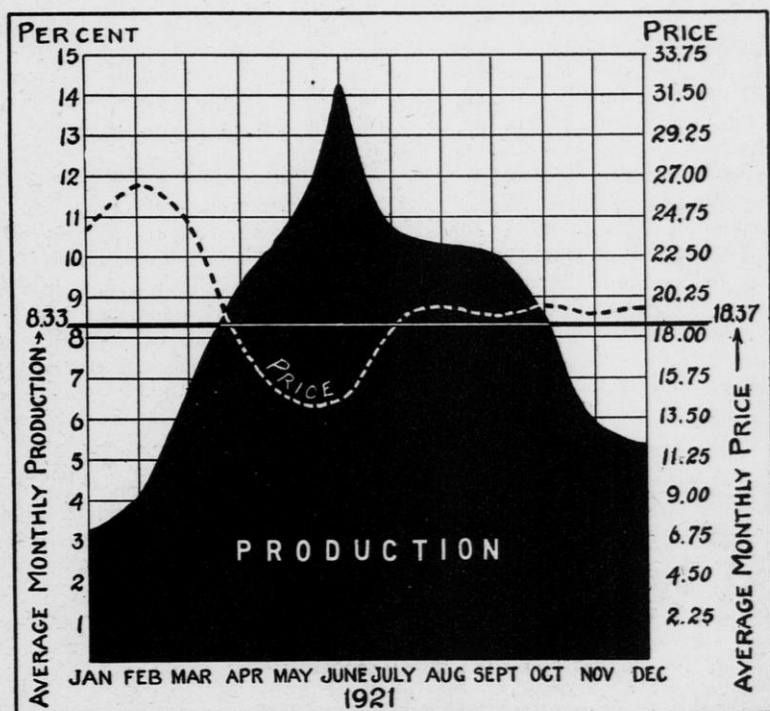
SQUARE DEAL NEEDED FOR PRODUCER

Few human beings work hardest for the poorest pay. The farmer classes himself not only as a human being but as one whose good judgment and plain horse sense enables him to see through a proposition that asks him to do harder, more costly work for a

poorer and less stimulating price. He knows that for many products farmers have not received wholesale prices in keeping with retail selling prices. He knows that the consumer generally is accustomed to pay most for products that are uniformly good and which are of highest quality. But the farmer who had cheese or other products to sell has all too often been paid a flat price on his milk or raw material whether good or bad, and for cheese whether good, bad, or indifferent. In other words while the consumer has offered a premium to induce the production of high grade and uniformly good commodities, this premium has not been carried to the farmer for cheese nor for many other commodities.

FLAT PRICES PLACE PREMIUM ON POOR PRODUCTS

A system which pays the flat prices for cheese regardless of quality "Robs Peter to Pay Paul". It cannot do otherwise. The man who delivered good milk to a cheese factory saw his carefully handled raw material dumped into a vat mostly filled with poorer milk. Why? All because milk is not taken in on a quality basis. The best milk cannot raise the quality of poor milk, but poor milk brings the best down to a lower quality



Quality Products with adequate storage will make it unnecessary to sell at a sacrifice.

level. Thus the farmers who deliver poor milk, and get away with it, receive more than their poor stuff is worth while the man delivering the best gets less.

Cheese is bought and sold not on an outright quality basis, but all too often on the basis that if the quality is poor more weight must be delivered. The cause of off quality is hidden. In fact it is never chased down and corrected. As a consequence farmers continue to be paid indifferently for their milk and no amount of argument can change the fact that this justifies merely indifferent cheese. Poor cheese under these circumstances is just what the system put the premium on. Not until the premium is put upon the delivery of the best milk and upon the offering of the best cheese is there any hope for improved cheese marketing.

POOLING SHOULD BE BY GRADES OR QUALITY

Cooperative pooling means that a system is in operation by the commodity marketing organization which handles raw materials and finished commodities respectively by grades or qualities. Each quality pool is a separate accounting task. The farmer who delivers the milk that makes the best cheese that sells for the most money is assured that he will get exactly what his cheese sells for less the marketing cost. Similarly the farmer who delivers poor milk, just good enough not to turn down, but too poor to make good cheese will receive just what the second grade cheese sells for less marketing cost. Such a plan does not have anything to do with monopoly power. Pooling in this sense is strictly a device to give the farmer all that can be gotten in the way of prices—to give him what his product brings on a quality basis. This is fundamental in successful cooperative marketing.

PRODUCER SHOULD FEEL THE CONSUMER'S PULSE

No cooperative system can become efficient or worthwhile that does not pay each member according to what his product sells for to the consumer. It is to devise a system that lets the farmer feel the consumer's pulse on what he wants to buy that is one of the greatest fundamental purposes of cooperative systems for marketing. Unless this is accomplished cooperation is a sham. If this is not done, cooperative marketing will defeat itself because it ignores the fact that farmers will do in the long run only what it pays best to do. It will never pay the farmer best to produce the best product while a neighboring farmer gets for poor stuff the same price as is paid for the best. Cooperative commodity marketing systems with properly handled pooling accounting systems are essential to correct this evil in the case of many farm products. Cheese and butter are two of these products. When given the real premium for which his better commodities sell to the consumer the farmer will have gained one of the big objects to be secured through improved marketing. Another fundamental benefit will be the fact that owning the company he will have facts that convince him when the price is low or high why it was not something else. More important still he will be able to receive from the organization, economic interpretations of the future tendencies of the industry upon which he can wisely decide whether to increase or reduce his production in the light of what it is costing him to produce.

FACTORS THAT SPELL SUCCESS

With the exception of the last sentence, all of the noted successful commodity organizations and many others in addition, have put into practice the foregoing fundamentals or merchandising. Leave out of the system any one of these points and a deficiency or weakness will appear that either seriously cripples or destroys the full value of the organization.

Any program seriously interested in or hoping to improve the purchasing power of Wisconsin farmers must embody and adhere to these fundamentals, for these are briefly the foundations of success of all the noted cooperative organizations which have made the word **advertising** so famous and at once so mysterious. There is neither miracle nor mystery in successful cooperative sales systems. Success there as elsewhere is spelled in **understanding, teamwork, integrity, efficiency, in a word unrivaled service.**