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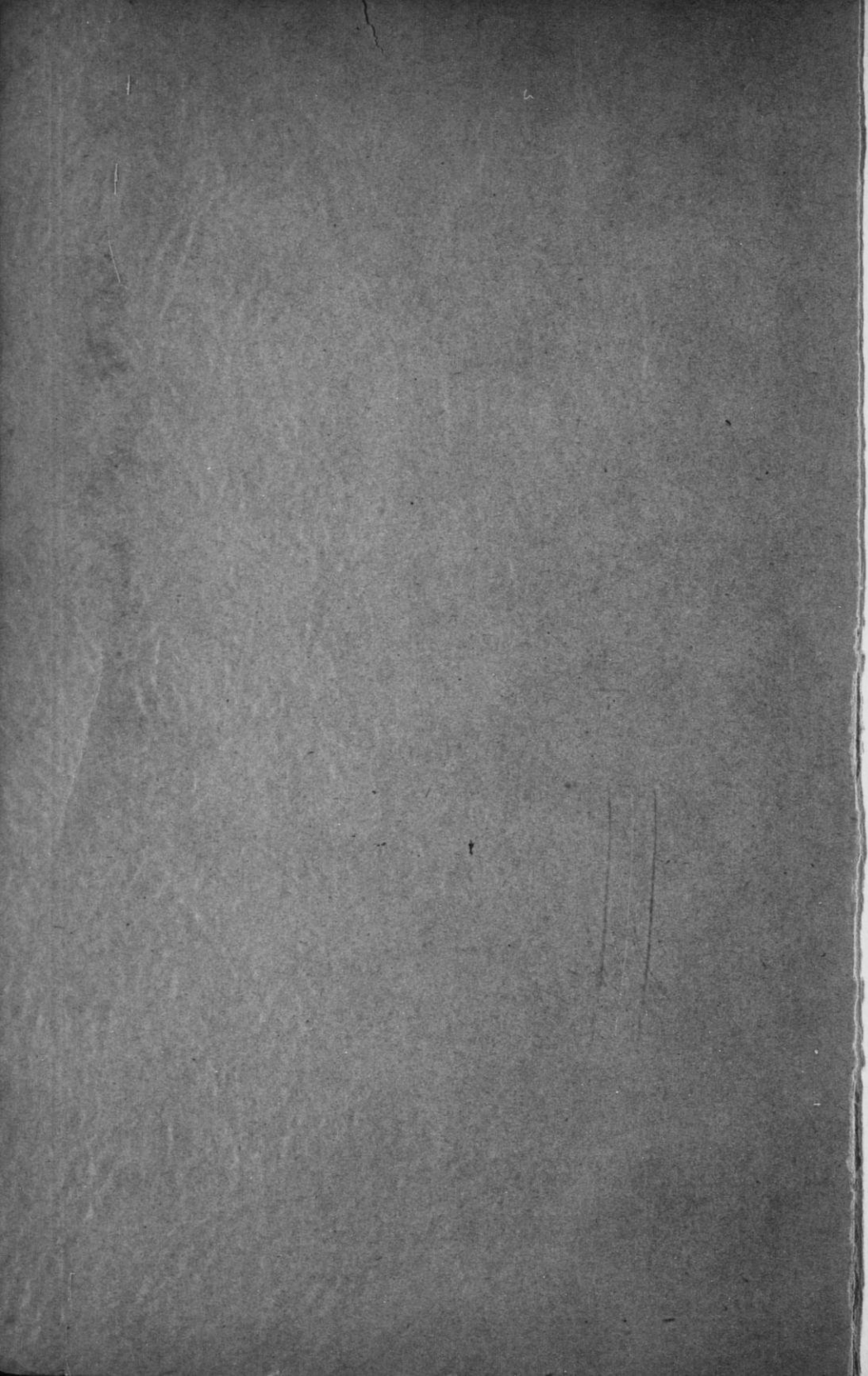
R. A. Power

The
**COOPERATIVE
PRIMER**

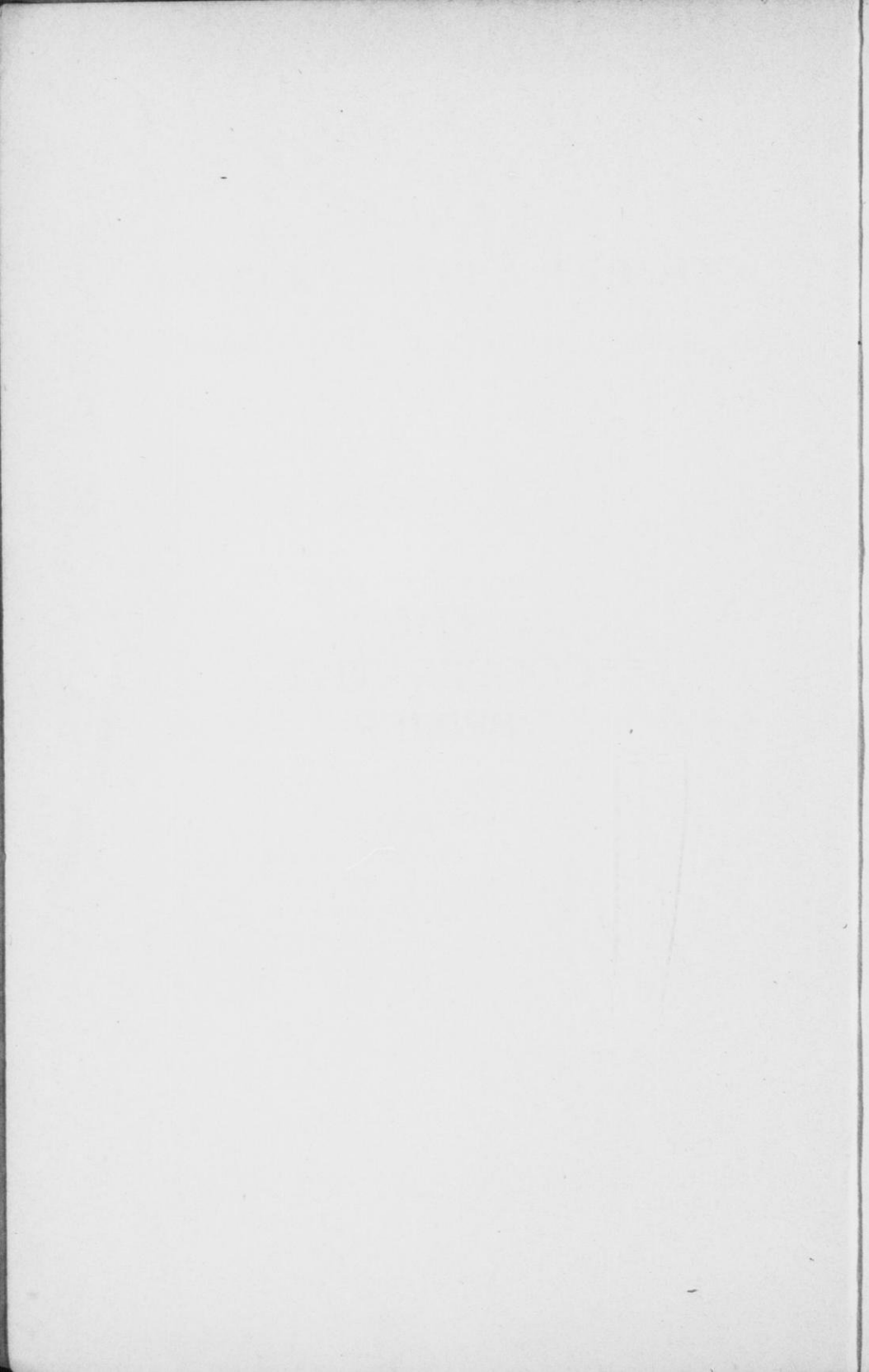


**Written and Published by
R. A. POWER
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THE
COOPERATIVE
PRIMER



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THE COOPERATIVE PRIMER

BY

R. A. POWER

Senior High School
Viroqua, Wisconsin

(Printed in U. S. A.)

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FOREWORD

The author has written this cooperative digest for the purpose of making it comparatively easy for those interested in the Cooperative Movement to become more familiar with cooperative enterprises as they exist today throughout the world. The aims and purposes of cooperative activity have been stressed, as well as the constant need for cooperative education.

To facilitate systematic instruction, guide questions have been added to each chapter. Cooperative study clubs are constantly increasing in America, and it would seem that this arrangement would especially lend itself to such groups for organized study. High school classes in both farm economics and social problems will find this book very helpful as a source of information on cooperative methods.

There are many producer and consumer cooperative associations in America which are interested in furthering the cooperative viewpoint of their members by the establishment of cooperative study clubs. Doubtless such groups will find this little book very interesting as a source of further study.

If these pages serve to stimulate the interest of the reader in the vast possibilities of cooperative activity in America, then the author's purpose will have been accomplished.

R. A. Power.

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CHAPTER 1.

THE EARLY HISTORY OF COOPERATIVES

The First Cooperative. The first successful attempt at forming a cooperative society was made in Rochdale, England, in 1844 by a group of 28 flannel weavers, some of whom had been followers of the liberal-minded Robert Owen. These weavers were having a hard time keeping body and soul together, because of the low wages being paid them by the mill owners.

Before 1844. Even before historical 1844, when the now famous Rochdale Society was formed, there were numerous attempts made in cooperative endeavor. For nearly twenty years prior to 1844, English cooperatives had flourished, only to die. Such cooperative ventures in England date from the days of the Industrial Revolution. They sprang into being from buying certain commodities at wholesale for the poor. In those days English public opinion regarded the human rights of the laborer as mere chattels.

England's Proving Ground. The cooperatives that were organized in England up to 1844, which dates the setting of the Rochdale Society, merely served as a proving ground for the latter organization. On April 12th, 1827, the Brighton Cooperative Benevolent Fund Association was organized to enable people to join cooperative communities, of which there were several. In July of that same year, W. Bryan organized the Cooperative Trading Association, which within one year from its inception did a volume of business amounting to \$200 per week. One year later, nine cooperative societies had been founded, while by 1830, over 300 cooperative societies were in existence in England. Also, from 1827 to 1834, various trading exchanges were formed by unemployed artisans, whereby labor could be exchanged.

Cooperation Clarified. During the years between 1831 and 1835, a series of cooperative Congresses were held by those interested in these cooperative enterprises, for the purpose of clearing the air of confusion regarding the Cooperative Movement, which was then just emerging from the cradle. These conferences did much to establish the aims and principles of cooperative activity.

Cooperative Failure. The first English consumer ventures were doomed to failure because of several reasons. Trustees of these first cooperatives were elected for life, and could not be removed, although

they were obliged to assume financial responsibility for any debts that the society might incur. Like all novices in the cooperative consumer stores, they granted too much credit, as well as tolerating poor management and accounting systems. It was common for both managers and clerks to steal from these early cooperatives. Another cause for their downfall was the arrangement whereby the largest shareholders received the greatest dividends. All these factors, when added together, spelled failure for the first genuine English Cooperatives, but it enabled the Rochdale Pioneers to profit from these mistakes and set up a new model that was destined to endure for all time.

Raising Capital. The Rochdale weavers knew that the first thing they would have to do to start their cooperative store would be to raise capital. Despite the fact that they were earning a scant income, they spent the best part of a year holding meetings and storing away a few pennies every week. Finally, when they had amassed a combined capital of 28 pounds, or \$140, they decided to begin operations.

The Beginning. In December, 1844, these weavers rented an old store building on Toad Lane in Rochdale, and purchased a supply of groceries consisting mostly of flour, sugar, oatmeal and butter. The store was open only after working hours, two nights a week. They took turns in clerking, buying, etc. Each member assisted in operating the store in one way or another after working hours.

Ridicule. These pioneer cooperators had to stand considerable abuse when they first started out with their cooperative store. People who were not in sympathy with this "new-fangled" idea would stand outside the store on Toad Lane at night and ridicule them in their attempt to carry out their new cooperative program.

The Struggle. Only their intense loyalty to the principles of cooperation and to each other saved these brave pioneering weavers from disaster. During the first eight months of its existence, the store was constantly threatened with failure. However, these pioneers were smart enough to profit by each mistake, and as a result of their experiments, they set up eight cardinal principles of cooperation that have been used ever since that time as the fundamental principles of all successful consumer cooperative organizations.

Rochdale Cooperative Principles.

1. Low membership fee, or share value, within the reach of those interested in improving their financial status.
2. Wide distribution of shares, rather than being concentrated in the hands of the few.

3. Democratic control; one-man; one-vote, regardless of the number of shares owned.
4. Sell for cash, in order to avoid losses connected with the extension of credit.
5. Goods sold at regular retail prices, in order to avoid price-cutting wars with competitors.
6. Low rate of interest paid on capital stock, and the distribution of savings based upon the amount of patronage contributed by each member.
7. Political and religious neutrality.
8. A certain percentage of the profits set aside for educational purposes.

Low Membership Cost. The Rochdale Pioneers set the cost of shares as low as possible in order that anyone who was ambitious in improving his lot might do so. Their main objective was to enroll as many worthy families as possible who were experiencing the same financial difficulties as they were in keeping their collective heads above water.

Democratic Ownership. It was felt that the success of the cooperative at Rochdale would be assured if each patron owned at least one share of stock. However, to guard against the opposite extreme, they discouraged any one member from holding any great number of shares. Each shareholder would naturally take a certain amount of pride in being a part owner of the enterprise, rather than just a patron.

One-Man — One-Vote. In order to make the cooperative a true democracy, these wise Rochdale Pioneers decided that each member should be entitled to one vote, regardless of the number of shares he might own. This plan would prevent the policies of the organization from being controlled by a certain few, rather than from the entire membership.

Sell For Cash. No one will deny, even today, that there is usually some loss experienced when credit is extended in any kind of business. The Rochdale weavers recognized this fact way back in 1844, and therefore decided that it would be safer for their little store to sell for cash, even if it meant fewer sales, than to sell on credit and risk losing some of their capital.

Sell At Retail Prices. Some people think that a cooperative should sell at cost. This usually causes price-cutting wars on the part of competitors, and any competitor who has sufficient capital could soon run a small cooperative to the wall, by simply outlasting it, if the cooperative started cutting prices. The successful cooperative usually

sells its goods at the prevailing retail prices, unless such prices are too high. Thus the savings gained for its members are returned to them at the end of the year in the form of patronage dividends. However, some strong present-day European cooperatives have cut retail prices much lower than the American cooperative stores have dared to as yet.

Low Interest On Shares. In order to distribute the earnings of the cooperative in proportion to the amount of business contributed by each member, a comparatively low rate of interest was paid on the shares held by the various members of the Rochdale cooperative. This policy has the tendency of discouraging the more prosperous members from buying shares from the standpoint of investment purposes.

Political and Religious Neutrality. There were a great number of religious and political beliefs one hundred years ago, as there are now. To confine a cooperative society to one particular race, or political or religious creed would have been suicidal, as well as distinctly undemocratic. So the people of Rochdale, when setting up their first cooperative, wisely saw to it that their society would not have to overcome such barriers.

Cooperative Education. The last principle set up by the Rochdale weavers was in relation to education. They made special provisions in their by-laws whereby a certain percentage of their accumulated earnings were to be spent for education. This was certainly a wise provision on the part of these pioneers. After nearly 100 years of cooperative activities all over the world, those cooperatives who have likewise provided for educational allowances from their earnings have been far more successful than those who did not make such provisions. Membership education is always important.

The Rochdale Cooperative Idea. The wisdom of the Rochdale Pioneers has been established beyond a doubt. Following the success of this little group, a larger cooperative was formed in Manchester, England, in 1862. This was called the Cooperative Wholesale Society (C.W.S.). Now over 1,200 retail cooperative stores are the result of this early movement in England, Scotland, and Wales. This cooperative now enjoys a membership of over seven million shareholders in Great Britain.

Rochdale Principles Sound. Thousands of cooperatives, both buying and selling, have been organized since the pioneer Rochdale movement. However, not all have succeeded. Only those who have adhered strictly to the Rochdale fundamentals have weathered the

economic storms which are bound to cross the path of any new movement. Therefore, it is extremely important for members of cooperative organizations to thoroughly understand the eight cardinal principles of cooperation as set forth by the Rochdale Pioneers.

Other English Cooperative Ventures. Because of the pronounced success of the Cooperative Wholesale Society of England, members of this organization engaged in many other cooperative enterprises. Cooperative insurance was started in 1867. Shortly after this, the Society opened a cooperative bank. This enterprise, as well as cooperative insurance, met with instant success. For example, the cooperative banking department now has over 65,000 accounts, with total assets amounting to \$350,000,000.

Cooperative Services. The Cooperative Wholesale Society also maintains many services for its patrons, such as architects, contractors, launderers, shippers, dentists, lawyers, funeral directors, printers, garage services, etc. It also operates several farms, milk depots, and tea plantations in Ceylon and India.

Farm Supply Cooperatives. Farmers of the British Isles have been purchasing their farm supplies cooperatively ever since 1870. Nearly \$60,000,000 worth of farm supplies are purchased annually by these farmers. There are about 550 farmer cooperative purchasing associations, serving 225,000 farmers, or about one farmer out of every four. These farm cooperatives sell farm supplies to their members at the regular retail prices, and return the accumulated savings to the members annually, after deducting a small portion for building up their reserve capital. Feed consists of about 75 per cent of the business done by these cooperatives, while the selling of fertilizer makes up another 5 per cent. The remaining 20 per cent of the business done by these farm supply cooperatives consists of seed, machinery, implements, etc. Much of the farm supplies handled by these farm cooperatives is secured for them by means of the big English wholesale, C.W.S.

Experience or Education? The English succeeded first in making cooperation pay. But they did it the hard way. Cooperative history since the Rochdale experiment has been the same the world over. When other groups since 1844 tried to buy or sell cooperatively, they succeeded or failed according to their adherence, or lack of adherence to the Rochdale principles. But not all who would join these cooperative associations knew about these Rochdale principles. Thus it becomes quite essential that those who plan to take part in cooperative enterprises either follow sound cooperative principles that have

been proved in the field of action, or fall by the wayside as have so many who have failed to benefit by the experience of others. Cooperative education of some kind MUST precede cooperative practice if success is to be obtained. The pages of this book are being written to that end.

GUIDE QUESTIONS FOR CHAPTER 1

1. State the time and place of the beginning of the first successful consumer cooperative society.
2. Had there been previous consumer cooperative attempts before the one named in the answer to the previous question? Discuss.
3. How many consumer cooperatives were in existence in England by 1830?
4. What was the chief purpose of the cooperative Congress organized in England during this period?
5. State two reasons why these earlier cooperatives failed to survive.
6. How much money constituted the beginning capital of the Rochdale store?
7. Describe the manner in which the Rochdale cooperative operated their store at the beginning.
8. What was the attitude of the people in general towards the Rochdale weavers during their first year of business?
9. What main factor contributed to the success of the Rochdale cooperative store during its infancy?
10. State five principles of cooperation that were formulated by the Rochdale Pioneers.
11. Explain why the Rochdale Pioneers decided upon low membership fees.
12. Describe the reason why democratic ownership was adopted as a principle of cooperative societies.
13. Explain the significance of the one-man, one-vote idea followed by most cooperative organizations.
14. Why do most successful cooperatives always insist upon selling for cash?
15. What danger might be involved when small cooperatives start cutting prevailing retail prices?
16. Why do most cooperatives pay low rates of interest on shares?
17. Should a cooperative society be neutral in regard to racial, political or religious matters? Why?
18. Do most successful cooperative associations have an educational department? Why?
19. What is the C.W.S.?
20. Is there any proof that the Rochdale principles of cooperation are sound? Discuss.
21. Name several other activities engaged in by C.W.S. beside the cooperative stores.
22. Explain the activity of the farmers of the British Isles in the purchasing of their farm supplies.
23. Why is cooperative education essential to the success of any cooperative association?

CHAPTER 2

COOPERATION IN DENMARK

Rural Cooperation. England's contribution to the Cooperative Movement concerned the first successful venture in the consumer type of cooperation, as it affected the laboring classes who lived in the cities. Denmark, about fifty years later, added another contribution to the Cooperative Movement by developing the cooperative marketing idea for farmers to a high degree of efficiency. Up until 1880, the Danish farmers found themselves exploited both by those who bought their farm produce, as well as by those who sold them the things they had to buy. In fact, by 1880, the Danish farmer was in about the same predicament that most American farmers find themselves today. But the Danish farmer in 1880 commenced to shake himself free of his exploiters by forming cooperative marketing associations, so that organized capital would no longer control the products of the unorganized farmer. He fully realized by this time that as an individual he had little to say about either what he sold or what he bought. By merely joining with his neighbors and marketing his products in an orderly manner, as well as making his purchases also on the group idea, he had a voice not only in the transactions that he elected to engage in, but also the marketing profits that formerly went into the hands of private agencies now were awarded to him. Thus began one of the most interesting developments of the Cooperative Movement—farm marketing.

Danish Folk Schools. During the middle of the 19th century, Denmark was in a rather precarious financial situation. Devoid of natural resources of any magnitude, and having lost heavily in a succession of wars, she was on the verge of bankruptcy. About this same time, a Lutheran clergyman, Nikolai Grundtvig, had been stirring the people of Denmark, especially the farming element, with the idea of doing something for themselves. He wanted them to start thinking about their problems. He organized a number of folk schools, largely for adults, for purposes of studying their economic conditions, as well as enriching their lives spiritually. Farmers who first attended the folk schools were suspicious as well as decidedly individualistic. Progress was slow and rather discouraging to Grundtvig, but he never lost hope. It took years and years of ceaseless effort on the part of Nikolai Grundtvig before the Danish

farmers finally "caught on". But when the farmers of Denmark finally decided to do something for themselves, the teachings of the folk schools by Grundtvig soon demonstrated themselves. Because of his persistent pioneering in Denmark for economic freedom, Bishop Nikolai Grundtvig is today Denmark's national hero.

Denmark Starts Cooperatives. As early as 1851 Denmark began its first cooperative venture in the establishment of long-time mortgage loans, which was fostered by the government. These loans for buying farms extended from 45 to 60 years time, and our present Federal Bank System is fashioned after this Danish plan to a considerable degree. However, it was not until about 1882 that Danish farmers started cooperative marketing. Up until this time, farmers would churn their cream at home, and send their individual lots of butter to England or Germany. Butter was butter, regardless of quality, and all lots brought about the same price. Finally, some farmers of Jutland decided to build a central dairy, or creamery, and haul their milk there to be separated and then churned into butter in a collective manner. This was done, and the butter was then marketed on a much larger scale than had been possible before. This butter met with an immediate response in England. Higher prices were paid for this butter, and encouragement given for better quality until now Danish butter enjoys an enviable reputation all over the world.

Creamery Federation. Because of the remarkable success of the Danish cooperative dairy plants, or creameries, Danish farmers soon began asking if they could not further join forces and market their butter to England, not in single creamery shipments, but in combinations of butter from several creameries, in order to further reduce overhead marketing costs. This plan called for the strict grading of butter. For example, it would be less expensive to ship all 92 score butter from several creameries in one shipment than to ship a mixture of 90, 91, and 92 score butter. Thus the Danish creameries organized into a marketing federation and the butter was shipped in large lots to England where it was sold directly to the retailers. Through mismanagement, the first attempts at this large scale marketing plan failed, but with characteristic thoroughness, these Danish farmers investigated and discovered the reasons for their failure, rectified these mistakes, and then went on to achieve one of the most amazing farm marketing accomplishments in history. Thus for the first time, Danish farmers discovered the true significance of the meaning of cooperative marketing.

Cattle Control Societies. After Denmark had gained such a world-wide reputation on its butter, the dairymen, now thoroughly aroused

to their own possibilities, decided to further enhance their incomes by determining which were their best cows, and which were the poorest ones in their respective herds. Such a cooperative association was formerly called a cow testing association in this country, but is now known as a dairy herd improvement association. More than one third of the farmers in Denmark have their cows tested for butterfat regularly. Over 1,700 of these associations now flourish in Denmark, with a farmer-membership of over 55,000, representing over 700,000 cows. Since 1895, Danish farmers have been testing their cows for butterfat production, with the result that Denmark's national average is well over 300 pounds of butterfat per cow per year. Compared to the national average of our own country, 175 pounds of fat per cow per year, it is not difficult to understand why Denmark's cooperative testing program is one of the reasons why Danish farmers can successfully compete with any other butter in the world for its market.

Cooperative Packing Plants. During the early 80's in Denmark, after Danish farmers had learned that the cooperative marketing of butter was much more satisfactory and profitable than the old idea of selling it individually, they next turned to the possibilities of marketing bacon. England was willing to buy Danish bacon, but it had to meet certain requirements. Consequently, the Danish farmers, before hoping to win this coveted market, had to introduce a new type of breeding boar for the purpose of putting better bacon sides on their native hogs, as well as adopting improved feeding practices. Even then, after these requirements had been met, middlemen took a good share of their profits. As a result, a cooperative packing plant, or bacon factory, as it was called in Denmark, was established in 1887, with over 1,000 farmers subscribing for shares. This venture proved to be highly successful. Of about 80 bacon factories in Denmark today, over 60 are owned and operated by farmers in the form of cooperatives, and they have now become an important factor in the English bacon trade. Rigid grading of bacon has been the means of improving the grade of Danish bacon to a very high standard. The numerous local packing plants are now joined in a manner much the same as the dairies, under the name of the Danish Cooperative Bacon Trading Co. This federation oversees the marketing of bacon from all the local factories. These slaughteries of Denmark demonstrate the fact that when packing plants are owned and controlled by the producers themselves, the farmers are much more certain of receiving a fair share of the consumer's dollar than when they are owned and operated by private enterprise, as is the case in this country.

The Danish Cooperative Egg Export Association. The formation of the egg cooperative in Denmark had much the same incentive behind it as did the butter and bacon cooperative marketing associations. Middlemen were in the habit of withholding fresh eggs from the market at certain seasons of the year in order to obtain better prices, with the result that consumers commenced to distrust the freshness of Danish eggs. In 1895, the Danish Cooperative Egg Export Association was formed on a national scale. Over 700 local units have been organized in Denmark, with a membership of about 45,000 farmers. The members of this cooperative have set up a rigid code of regulations for themselves in order to produce nothing but top quality eggs. Most Danish eggs are shipped directly to London where they bring fancy prices. Although the egg speculators fought the formation of the egg marketing cooperative bitterly, the members set such a high standard of excellence for their eggs that these speculators were unable to compete with them. Again Denmark farmers won control and ownership of their own business.

Danish Farm Consumer Cooperatives. Besides the three chief commodities, butter, bacon, and eggs, marketed by Danish cooperatives, there are also many other commodities marketed by their various cooperatives, such as meat and cattle, for example. Danish farmers have also been active in consumer cooperatives as well as marketing. Feeding stuff imported into Denmark is largely handled by cooperatives organized for that purpose. Also, commercial fertilizers and seeds are purchased through cooperative societies, in order to cut the price spread between buyer and seller.

Cooperative Stores. Denmark leads practically all other countries in the marketing of its agricultural products, but lags somewhat in the matter of consumer-owned stores. For example, Sweden is far ahead of Denmark at the present time in consumer stores. The formation of a consumer-owned store was first attempted in Denmark about 1850 by a group of laborers in Copenhagen, but it failed. It remained for the Danish farmers to show their city cousins how to run a cooperative store. In 1866, the first successful cooperative store was organized at Thisted, owned and patronized largely by farmers in that vicinity. Since this early beginning, cooperative stores were formed rather slowly until 1885, when more liberal laws were enacted to encourage the formation of such stores. However, from that date, the organization of cooperative stores has steadily increased until today there are nearly 2,000 such stores in Denmark, exclusive of the strictly farm purchasing societies. These local cooperative stores

banded together in 1896 and formed the Wholesale Cooperative Society of Denmark. Like the cooperative wholesales of other countries, this parent organization soon entered into the manufacturing end of the business. It now owns factories for manufacturing such commodities as margarine, soap, chemicals, hosiery, chocolate, confectionery, tobacco, cigars, clothing, cement, bicycles, shoes and coffee; it employs over 4,000 people.

Cooperative Services. Besides the extensive marketing and purchasing cooperatives in Denmark, there are numerous other cooperatives offering services of various kinds to farmers. Farm accounting associations, cooperative improvement clubs, artificial breeding rings, credit unions, cooperative banks, mutual life and fire insurance cooperatives are all plentiful, besides the testing associations already mentioned. Such a program of activity on the part of Danish farmers has been the means of raising Denmark from a once impoverished nation to one of the leading agricultural nations of the world. Instead of being willing to be continually exploited by private agencies, Denmark, by a slow and gradual process has demonstrated to the world how the ownership and control of her agricultural products can be regained for those who produce them—the farmer.

GUIDE QUESTIONS FOR CHAPTER 2

1. What contribution did Denmark make to the Cooperative Movement that supplemented England's achievements?
2. Describe the activities of Nikolai Grundtvig in arousing Danish farmers to cooperative activity.
3. Discuss Denmark's first cooperative creamery venture.
4. Explain how Denmark won recognition in marketing butter in England.
5. Explain how Danish farmers have increased the annual butterfat production of their dairy cows to over 300 pounds per cow.
6. Describe how Danish farmers took over the marketing of their own bacon industry.
7. Discuss the manner by which Danish farmers market their eggs.
8. Name some farm necessities purchased cooperatively by Danish farmers.
9. Discuss the activities of the Wholesale Cooperative Society of Denmark.
10. Name five services that are available to Danish farmers in a cooperative way.

CHAPTER 3

SWEDISH COOPERATION

Swedish Farm Cooperatives. There are two cooperative centrals in Sweden for farmers; (1) the Farmers' National Wholesale, known as S.L.R., which is exclusively a farmers' cooperative consumer society, and (2) the powerful Kooperativa Forbundet, or K.F., the big general Swedish cooperative wholesale, which caters to both farmers and city people in regard to consumer wants. The S.L.R., until recently, has operated on borrowed capital, which is contrary to accepted cooperative principles, but is now swinging into line by operating more and more on its own capital. However, by a system of friendly cooperation between K.F., the general consumers' wholesale, and S.L.R., the exclusively farmers' wholesale, much good has been accomplished regarding the saving of money on purchases that Swedish farmers have to make. For example, the sale of superphosphates in Sweden had previously been controlled by a cartel, or trust. K.F. and S.L.R. combined forces and started to manufacture this fertilizer, which resulted in bringing down the price of this fertilizer to a much lower level than the trust had been in the habit of charging. These two cooperatives also jointly acquired the rights from Finland's agricultural cooperative, Valio, to produce and sell the A.I.V. method of ensilage preservation discovered by Professor Artturi I. Virtanin, as well as forming a joint society for manufacturing agricultural lime at a reasonable price.

K.F. Acts As Cooperative Sponsor. The big general cooperative wholesale of Sweden, K.F., has performed many kind acts in behalf of the cooperative movement in Sweden, besides those just noted in its relationship with its sister cooperative, the S.L.R. Two specific examples might be cited. A farmers' cooperative slaughterery at Kristianstad, in South Sweden, had failed. Its directors appealed to K.F. to help them out so that they would not be forced to sell out to private industry. K.F. was at first reluctant to enter this field, but finally decided to rescue it. After a reorganization plan had been worked out, which provided that the farmers would gradually acquire control of it again, K.F. soon put this slaughterery on its feet, and it is now operating successfully under the direction of the farmers themselves. Again, at Varberg, another cooperative slaughterery had been similarly mismanaged, and had come to grief. K.F. once more

stepped in, put their house in order for them, and then handed it back to the farmers to run. It also saved two dying dairy cooperatives in Jamtland, at the request of the dairymen who organized them, and put new life into them. Such is the policy of K.F., Sweden's great cooperative wholesale.

The National Association of Swedish Dairies. Sweden has made an international reputation through her consumers' wholesale, K.F. for consumer cooperation. This reputation has been gained in relation to its service for urban people far more than for the farming population. It was not until 1932 that rural Sweden began to cooperate in earnest. Until this time, rural cooperation had been more or less sporadic. Because nearly half of the Swedish farmer's income is derived from dairying, this was the industry that was afforded governmental attention first. The Swedish government agreed to give state aid to the milk producers if they would organize into local cooperatives. Fortunately, the dairymen were quick to seize this advantage, and nearly 90 per cent of the dairymen of Sweden now belong to their local cooperative milk central. These local cooperatives are all joined together in one large national body, called the National Association of Swedish Dairies. Because of this organization, the association has been given charge of all butter exports, as well as about half of all the cheese produced in Sweden, with the result of a more orderly system of marketing, better prices, and improved quality of dairy products that has added greatly to Sweden's prestige as a dairy country.

Fruit and Eggs. The farm marketing cooperative fervor that started to sweep over rural Sweden in 1932 included two other products raised by farmers for which suitable markets were often difficult to find—fruit and eggs. By 1934, 811 local fruit growers societies had been formed, with a membership of over 40,000 growers. These numerous societies followed the pattern of the other commodity cooperatives by organizing a national cooperative, called the Swedish Fruit Association. Starting in 1933, farmers organized egg centrals for marketing surplus eggs both at home and abroad. Like the fruit marketing and other produce associations, these egg centrals were united into a national organization, known as the Swedish Egg Producers Association. Approximately one billion pounds of eggs were handled by the national association in just one year after its inception.

Agricultural Credit. Sweden, like all other countries prominent in the Cooperative Movement, soon found that some form of credit for farmers was almost indispensable. This movement did not really get

under way in Sweden until 1927, when a three-stage plan was finally adopted. Local agricultural credit unions were first organized by the farmers. Following this, the local credit unions were segregated into district or central unions, and then these central unions were all united at the top by the national organization, called the Swedish Agricultural Credit Bank. These credit units operate much the same in Sweden as is described herein for other countries. In 1934 there were 60,000 Swedish farmers who were members of these various credit unions, with deposits well over 17,000,000 kronor.

Swedish Cooperatives Unite. A cooperative commission was organized in 1935, consisting of both consumer and producer cooperatives, for the purpose of limiting the duties of individual organizations and providing a better understanding of the endeavors of each cooperative. Each national marketing cooperative had one delegate on this Commission to represent the producers, and K.F. had an equal number of delegates to represent all of the consumers. Before this Commission was formed, there had been numerous instances wherein certain cooperatives were competing against one another, with rather disastrous results. By ironing out these complications in the meetings of the Cooperative Commission, previous misunderstandings gave way to friendly agreements, and definite lines of demarcation between the different types of cooperative societies were made. Thus, Swedish Agriculture, although comparatively late in acquiring the cooperative vision, seems bent upon marching ahead in double-quick time in order to make up for opportunities lost prior to 1932.

Kooperativa Forbundet. The progress of the Swedish farm cooperatives has already been described. Because Sweden is rather outstanding in both urban and national life, it would seem rather unjust to leave this remarkable country without peering into this phase of her cooperative activity. We must first meet our old friend, Kooperativa Forbundet, better known as K.F., in order to appreciate what has happened to Sweden in an economic way. K.F. has played a far more active part in urban Sweden than in its rural life. K.F. is the most important cog in Swedish cooperation. It has a well developed system of study circles among its membership; it supplies 25 correspondence courses, catering to over 30,000 students; it has founded a cooperative college for the purpose of training its employees and directors; it publishes a weekly magazine that enjoys the largest circulation of any other periodical in Sweden, which is over 500,000 subscribers, as well as manufactures such articles as automobile tires, margarine, shoes, overshoes, electric light bulbs, flour, bread, macaroni, etc., all for the purpose of preventing trusts from further

exploiting the consumers with their unfair profit-making tactics. Besides this, it functions as the wholesale for countless cooperative stores of all descriptions. This Wholesale enjoys no subsidy or financial aid from the government. All that it has done for Swedish consumers has been paid for in full from the earnings of the organization itself. Needless to say, it has brought the Swedish and international trusts down to a fair price level by simply establishing factories for the manufacturing of certain commodities that were being sold at monopolistic prices, and selling them at lower prices to the consumers.

Government Competition. While K.F. has done yeoman service in protecting Swedish consumers from exploitation, it could not compete against all of the trusts that invaded the Swedish market. The government also entered into competition with the trusts in order that the people be safeguarded against unduly high profits by private agencies. Therefore, at the present time, the Swedish government owns and operates about one-fourth of the forests in Sweden, one half of the mining industry, generates a third of all electricity, and operates most of the railroads, in order that a fair level of prices be established. The trusts are obliged to meet these prices by common decree. Thus the government not only protects the price level for these commodities, but also derives an income that is used to support the State.

Cooperative Results In Sweden. What has been the final result of cooperative and governmental entrance into the field of commerce? The people of Sweden are firm in their belief that monopoly prices cause unemployment and poverty. Today there is very little unemployment in Sweden, because lower prices have enabled consumers to buy more goods with their dollar, with the result that more people are kept at work producing these goods. The trusts have learned that K.F. can compel them to lower their prices if it wants to. In fact, it has done so in many instances. One example will serve to illustrate the point. When the trust was charging 37c for light bulbs in Sweden, K.F. asked the trust to reduce its prices, but they refused. Consequently, K.F. bought a light bulb factory, and started in to manufacturing light bulbs for the Swedish market, bringing the price of these bulbs down to 20c, a reduction of nearly half. K.F. has had similar experiences with the manufacturers of many other commodities in Sweden. K.F. allots by law, 2½ per cent of its earnings for educational purposes, but many of the local societies which go to make up this wholesale, often spend much more than this amount for this function. Another important cooperative activity in

Sweden is a housing program. There are now over 25,000 cooperative apartment houses in Sweden, most of which are located in the city of Stockholm. In fact, new cooperative activities are constantly being launched and supported by the membership of the powerful K.F.

A Producer And Consumer Cooperative. Sweden offers one unique society to the cooperative movement that is of special interest to all who are students of things cooperative. This is the Milk Central at Malmo, located in the southern part of Sweden. This particular cooperative is noteworthy because it is really a combined producer and consumer cooperative. The local consumer cooperative, Solidar, represents the consumers in this particular section, and the milk producers in the vicinity of Malmo represent the producers of the association. Each side of this strange cooperative has an equal number of representatives on the board of directors, while the manager of the cooperative acts as chairman of the board. The producers of this society provide dairy products to the Solidar cooperative members at the regular retail price. At the end of each year, the savings accrued are divided equally in three ways: (1) to the producers, in accordance to the amount of milk furnished; (2) to the consumers, according to the amount of milk purchased, and (3) to enlarge the original capital investment. This particular cooperative activity has been cited because of its rather unusual feature of uniting consumer and producer in a somewhat different manner than is ordinarily to be found.

GUIDE QUESTIONS FOR CHAPTER 3

1. Describe some joint cooperative activities of K.F. and S.L.R. for the benefit of Swedish farmers.
2. Discuss one instance whereby K.F. has helped Swedish farmers to cooperate.
3. Describe how the National Association of Swedish Dairies came into being.
4. Explain how Swedish farmers market their fruit and eggs.
5. Describe the three-stage plan of the Swedish Agricultural Credit Bank.
6. Explain how the government prevented consumer and producer cooperatives from ruinous competition in Sweden.
7. What are some of the other activities of Kooperativa Forbundet in Sweden besides its cooperative stores?
8. Why has the government entered into competition with some of the industries of Sweden?
9. Give an example illustrating how Swedish cooperatives have been able to successfully fight the trusts.

CHAPTER 4

COOPERATION IN NORWAY

Norway Is Cooperative, Too. So much has been written in the past about the fine progress made in marketing and consumers cooperatives in Denmark and Sweden, little has been told about the cooperative activities of their sister Scandinavian country, Norway. This country, however, is very much alive to the advantages offered by cooperative efforts. Norway, in her characteristic fashion, is probably as far advanced, considering everything, as either Denmark or Sweden. She has solved some marketing problems, such as overproduction, much better than most of the other countries of the world, and this has been done solely through cooperative methods. Her early cooperative history, however, is much the same as that of other countries. For many years Norway stumbled about in cooperative darkness, but finally, after many years of experimentation, cooperatives of Norway are now functioning extremely well. Likewise, this is true of all other countries now engaged in cooperative enterprises. The farmers of Norway are now reaping the benefits of their earlier experiences.

Marketing Control. The marketing cooperatives of Norway are controlled largely by a committee called the Marketing Board. This board is granted considerable power by the Norwegian government, and is subject only to the Trust Control Board. The primary purpose of the marketing board is to fix prices and otherwise regulate marketing practices of agricultural commodities in Norway. This board is not financed by the government, but by a small marketing fee placed on milk, pigs, sheep, and feed concentrates, called "stockfeed" in Norway. This board also has the power to levy a tax on every pound of margarine sold.

Marketing Centrals. The Norwegian farm marketing cooperatives are located in eight separate districts of Norway. Each marketing association located in the eight respective districts is called a "central" or "pool". Each of these centrals are cooperatives in themselves, but they also are united in one large national organization for benefits of administration, adjustments, etc. Thus in Norway, the three big marketing centrals, eight in number in each case, are the Milk centrals, the Meat and Pork centrals, and the Egg centrals. Each commodity marketing central is entirely independent

of the others. For example, the Milk central is separate from the Egg central, despite the fact that they might be located in the same area. A farmer located on a certain farm in Norway may belong to a Milk central, a Meat and Pork central, and an Egg central. From 75 to 95 per cent of the farmers in Norway belong to these marketing centrals, except the Egg centrals. This is because many farmers prefer to barter their eggs for groceries.

The Milk Centrals. Norway enjoys a unique position in its method of marketing milk. Students of marketing cooperatives from all over the world have visited Norway to study its system. Ordinarily, farmers receive more money by marketing milk for fluid uses than by marketing for the manufacture of cheese and butter. The marketing board realized that this fact was the seat of the trouble with the dairy industry, and set about to attack the problem at this point. Consumption milk is classed as milk used in the home; while production milk is a term used to describe milk to be processed into butter and cheese. At the time the marketing board started to function, there was stiff competition in the marketing of consumption milk, with the result that prices were ruinous.

Solving The Problem. The marketing board finally succeeded in adjusting the price difference between milk consumed and milk processed into butter and cheese. Perhaps this can best be explained by the following example: Let us presume that consumption milk nets the farmer $5\frac{1}{2}$ cents per quart, and production milk nets him only 3 cents per quart. This is a spread of $2\frac{1}{2}$ cents per quart, which is obviously unfair to the farmer who sells his milk for cheese or butter. But the production milk farmer is protected by the marketing board in the following manner: Each pound of margarine is taxed $\frac{3}{8}$ cent per pound. Also, the consumption milk is taxed $\frac{5}{8}$ cent per liter (A liter is slightly more than a quart). These two taxes are given over to the producers of production milk for every quart or liter that they deliver to the creamery. These two taxes would raise the price of production milk to 4 cents, instead of three. Then the cost of transportation of consumption milk to marketing centers would enter into the matter sufficiently to bring down the final price to the producer of consumption milk to about 4 cents net, which is about what the farmer who produces production milk gets per quart. In other words, the consumption milk tax paid by the producer of consumption milk to production milk farmers plus the margarine tax, just about equalizes the net price received by each, after the consumption milk producer also pays for the transportation of his product to the central markets. By this process, both kinds of producers are satis-

fied. Of course, in each case the milk is tested and graded, thus providing a system whereby the farmers who produce the cleanest milk with the highest test receive more than those who produce an inferior product. Thus, to Norway goes the credit of stabilizing the prices of production and consumption milk.

The Surplus Problem. The marketing board of Norway soon found other disturbing problems to solve, however, besides price stabilizing. It found, for example, that occasionally too much butter was being manufactured at certain times. Many people in Norway use margarine instead of butter despite the fact that the Scandinavian people consume as much butter as we do in this country. Because of the fact that the marketing board also has control over the margarine factories, it can compel these factories to use a high per cent of butterfat in its margarine when there is a surplus of butter. However, when the margarine contains butterfat, the margarine factories are forced to sell it cheaper than when it contained no butterfat, and furthermore, the marketing board has the right to set the price as to what this mixture is to be sold for. After this plan is tried for a while, and there is still a surplus of butter on the market, then the remaining surplus butter is taken out of cold storage, mixed with margarine, and shipped either to England or Germany and sold for whatever it will bring. The difference between this export price and the regular market price is made up to the farmer from the regular margarine tax. To date, the marketing board has been able to protect the dairyman from ruinous prices by virtue of its complete control over dairy products and the manufacture of margarine.

Meat And Pork Centrals. The basic idea of marketing meat is much the same in Norway as it is for milk. The marketing board receives funds from a small sales tax on each animal that is marketed, as well as from the sale of grain concentrates, which is called cake meal or stockfood, in Norway. Not enough grain is raised in Norway to provide sufficient feed for its livestock. Much feed still has to be imported. Every farmer is allowed a small amount of stockfood tax-free each year. After he has used up this quota, he must pay a tax for each pound fed to his stock thereafter. This plan automatically keeps down any large production of meat. Also, the production of silver fox fur is a thriving industry in Norway. Inferior grades of fish and meat are fed to the foxes instead of being allowed to compete in the open market with the better grades of meat. Each central owns its own slaughtering plant, as well as its own marketing agencies for furnishing meat to the various cooperative consumer and other retail stores.

Egg Centrals. While the Egg centrals do not enjoy the large volume of business that the Milk or Meat centrals do, their organizations are just as effective. With the Egg centrals, the government establishes a marketing price board consisting of three representatives from the Egg centrals, three from the private egg trade, and one government representative; the latter acting as chairman of the board. This board meets daily, and sets the price of eggs for each day. Both pool and private egg dealers must abide by this price. Here again, the marketing price board has authority to act when there is an egg surplus. They can export eggs when too many are on the market and make up the difference to the producers from the stockfood tax. This difference is given to both egg pool members and those who market their eggs through private channels. The primary object of the board is to see that ALL farmers are given a fair price for the commodities that they have produced. The Egg centrals also handle poultry in a similar manner.

The Results. The Norwegian method of regulating the price and production of farm commodities has resulted in awarding the farmer a fair price for his products as well as serving as a damper to overproduction and that was exactly what the system was intended for. It has helped him in other ways also. It has encouraged a sane marketing system, prevented speculators from making large fortunes at the farmers' expense, and it has even benefitted private trade because of the stabilizing effect that it has had upon all agricultural products. Norwegian farmers apparently are in favor of this marketing system as witnessed by the large percentage of those who are members of the various centrals.

Other Centrals. Only three of the most important marketing centrals have been discussed in this book so far. However, there are countless other marketing centrals in Norway, all of which function much the same as those described. Commodities such as vegetables, fruits, timber, wool, and silver fox fur all have their respective pools, or marketing outlets fashioned after the methods already described. In fact, any agricultural product produced in Norway in any volume at all is sold with the same efficiency as are milk, meat and eggs. In each case, the government steps in and acts as a regulator, so that the producers will not be exploited by private agencies. Middlemen however, do handle some of the farm commodities of Norway, but because of the existence of the cooperatives, prices are kept down to normal, and the middleman is thereby not able to make any unreasonable or monopolistic profits.

Consumer Cooperatives In Norway. While Norway is a leader in marketing agricultural commodities, she is also one of the foremost nations in the matter of consumer cooperatives. The main objective of Norwegian cooperatives has been to bring the consumer and producer in direct contact with each other. There are about 1,000 local consumers cooperatives in Norway, 612 of which are members of one large national organization, the Cooperative Union and Wholesale Society. These consumer cooperatives supply both farm and city people. For fifty years these consumer cooperatives of Norway struggled for success, but they did not achieve it until the dawn of the twentieth century. Different systems of organization were tried, with ultimate failure, until they finally hit upon the Rochdale plan. When this plan was set up and followed, success was theirs. Shortly after 1900 the Rochdale plan was introduced and adopted, and since that time the Norwegian consumers cooperatives have been uniformly successful.

The Cooperative Union And Wholesale Society. As has already been stated, the Cooperative Union and Wholesale Society is by far the largest consumer cooperative in Norway. It was established in 1906, and has enjoyed a steady growth since that time, until now it boasts over 560 locals. Ninety per cent of its trade is rural. Like the successful consumer cooperatives of other countries, it does not confine its efforts entirely to selling. This particular organization, besides following the Rochdale principles of consumer cooperatives, has also entered the manufacturing field with pronounced success. At the present time it manufactures soap, tobacco, electric bulbs, shoes, chocolate, and margarine in addition to milling flour and roasting coffee. By thus entering the manufacturing industry, consumer cooperatives are enabled in keeping prices down to a normal level for their members. This organization is also a member of the Scandinavian Cooperative Society, which is a union of cooperatives of Sweden, Denmark, Finland, and Norway. This is a buying organization which purchases commodities from other countries at wholesale. The Cooperative Union and Wholesale Society buys such commodities as rice, grain, sugar, coffee, fruits and stockfood from foreign countries for its various local units.

Purchasing Pools. Besides the 1,000 or more consumer cooperatives already mentioned, there are six large purchasing pools, consisting of about 1,900 locals, with a membership of over 60,000 farmers, representing 250,000 people. These pools specialize in buying supplies needed by farmers, such as farm machinery, fertilizers, seeds, flour, cement and stockfood. Many of these purchases are made in

foreign countries, and are carried by Norwegian vessels to some port in Norway, where they are transferred on railroad cars and shipped directly to the numerous locals who helped make up the order. No middleman handles these commodities. When the shipment arrives at a certain railroad depot, the farmers, being notified previously the day of arrival, are there ready to haul the articles home. This is another idea of consumer cooperatives that has had a wide appeal among Norwegian farmers.

Consumer Cooperatives Have Helped. More than half of the farmers of Norway are members of the consumer cooperatives in its many forms. Farmers appreciate the fact that such organizations have helped them considerably in their struggle for existence. They have prevented the formation of monopolies in the various lines of consumer needs. However, the consumer cooperatives of Norway have not finished their work yet. They are already looking ahead to that proverbial day when prices might, for some reason, sink to low levels. To that end, the Cooperative Union and Wholesale Society has established its own bank, a savings account, and two insurance companies. Other forms of credit are now being planned if that uneventful day of low prices should ever descend upon the land of the Arctic circle.

GUIDE QUESTIONS FOR CHAPTER 4

1. How does cooperation in Norway compare with the other Scandinavian countries as to scope?
2. Explain how the Marketing Board functions in Norway.
3. Describe the structure of the "centrals" or "pools" used by farmers in Norway for marketing their products.
4. Distinguish between consumption and production milk.
5. Explain how the price difference between consumption and production milk has been adjusted in Norway.
6. Describe how surplus butter is handled in Norway.
7. Why is there never a meat surplus in Norway?
8. Explain how the price of eggs is determined in Norway.
9. What has been the effect of regulating prices of farm commodities on the Norwegian farmer?
10. Name four other minor farm commodities sold through the cooperative "centrals" by Norwegian farmers.
11. Is Norway greater in consumer or producer cooperatives?
12. Describe some of the activities of the Cooperative Union and Wholesale Society.
13. Name some products manufactured by some of the smaller consumer cooperatives of Norway.
14. Describe how the purchasing pools for farmers operate in Norway.

CHAPTER 5

COOPERATION IN FINLAND

Finland's Freedom. Finland is a remarkable country in more ways than one. Constantly harassed by first one enemy country and then another, it was not until 1918 that this brave little country was able to discard the Russian yoke of oppression. But even before that, her people had set about to solve their economic problems. Finland, situated in the same geological location as the Scandinavian countries, is a land of meager natural resources, which makes her economic recovery all the more remarkable. Because the Finns have been dominated by other more powerful countries so much in the past, they were quick to seize the first logical economic plan that presented itself when the now famous Pellervo Society offered them the first concepts of the cooperative movement in 1899. Since the turn of the century, cooperation in Finland has advanced probably more rapidly than in any other country in the World.

The Industries of Finland. Despite the fact that only about 6 per cent of her land is under cultivation, agriculture is Finland's chief industry. Ninety per cent of Finland's land area is in woodland or uncultivable land. Other Finnish industries include sawmilling, paper and cellulose manufacture, the making of boots, clothing, and household utensils. Part of the territory in Finland is composed of water. While some of this water has been harnessed for the purposes of generating electricity, there still remains a great amount of potential electricity from Finnish waters as yet untouched for this purpose. Due to Finland's 60,000,000 acres of forests, wood products are plentiful. Furniture, building material, cases, spools and veneers are a few of such wood products manufactured. Besides these, Finland is prominent in the making of cotton, wool and linen goods.

The Pellervo Society. History shows that in most countries, the establishment of cooperatives was more of a hit or miss proposition until the cooperative idea had cast off its baby clothes and reached maturity. Not so in Finland, however. From the outset, the Pellervo Society acted as an instigator for organization work, as well as offering a guiding hand to the cooperatives after they had started to function. Dr. Gebhard is the real pioneer of Finland's remarkable cooperative achievement. It was Dr. Gebhard who first conceived

the idea of forming a combined sponsoring and educational organization for acquainting the people of Finland with the true principles of cooperation. This society was organized in 1899, while Finland was still under the rule of Czarist Russia. Gebhard first conducted a school for cooperative missionaries, 150 or more, and then sent them out to all parts of Finland to spread the gospel of cooperation. He would follow up many of these apostles with personal lectures to put on the finishing touches. The only major objection on the part of the Finnish people to Dr. Gebhard's cooperative ideas was the fear of Russian censure. However, Dr. Gebhard had a law enacted in 1900 which legalized the organization of cooperative enterprises. This Act gave the Pellervo Society added prestige with which to further the cause of cooperation, and this society, under the watchful guidance of Dr. Gebhard lost no time in making the most of its new-found opportunity.

Finland Starts Cooperation. The first officially recorded Finnish cooperative was formed in 1900 at Tampere by the workers employed at Finlayson's factory. Finlanders now point with pride to this cooperative as their own Toad Lane society. By 1902, 15 consumer cooperatives were in operation in Finland, besides 28 cooperative creameries. By 1903, Finland had 189 cooperatives registered with the Pellervo Society, 24 of which were credit banks. During this early growth of cooperation in Finland, Dr. Gebhard's Pellervo Society was the guiding star. Agricultural experts, folk school teachers, and trained business leaders went up and down the countryside giving of their counsel to these pioneering organizations. The Pellervo Society also published a magazine that soon became a national household necessity. Thus, through an organized movement by Pellervo, the seeds of the cooperative movement were sown in the early part of the century in Finland that were destined to elevate her to a point high in world affairs.

Cooperative Growth. The cooperative movement began in earnest from 1904 to 1917. Still under Russian rule, the cooperative idea organized first from within Dr. Gebhard's rudimentary framework, and then expanded over a wide area. During this period, four major cooperative wholesales became prominent. The first large consumer cooperative in Finland was known as the S.O.K. The other three cooperatives were formed especially for the farmers. Hankkija was organized as a farm wholesale cooperative. Valio was organized as a dairy marketing society for handling cooperative creamery butter and cheese. The fourth prominent Finnish cooperative which was functioning at this time, and which really had its inception in 1897,

was Labor, which was, and still is, a purchasing cooperative for the Swedish-speaking farmers of Finland.

The Birth of S.O.K. In 1904, 37 local consumer cooperatives met at Tampere, Finland, for the purpose of forming a central wholesale society to supply and standardize the local cooperatives. This meeting was called at the request of the Pellervo Society. Plans were presented and accepted for the formation of a consumer's wholesale. It was named Swomen Osuuskauppojen Keskuskunta, Ltd., or S.O.K. for short. During its constant growth until 1916, S.O.K. had been experiencing some internal dissention regarding its neutral policy on matters pertaining to religion, politics, and language. S.O.K. followed a very democratic policy in regard to these factors which was not acceptable to a part of its membership. In 1916, a number of the societies enrolled under the banners of S.O.K. withdrew because of its neutral policy, as well as its refusal to allow the larger societies more than one vote. These seceding societies organized a similar wholesale, called Asuustukkukauppa, familiarly known as O.T.K., while its sponsor societies were known as K.K. (Kulutususuuskuntien Keskusliitto).

S.O.K. After 1917. Despite the withdrawal of nearly half of the societies from S.O.K. in 1916, this organization continued to thrive. It began to diversify its commodities. Not only groceries, clothing, etc., were handled, but many needs of the farmers were also added, such as seeds, feed, wire, and even tractors. It also undertook to sell farm produce to its members which were brought in by its farm patrons, such as eggs, meat, farm butter, and garden produce. It also sold the surplus hay and grain of one farmer to another who was in need of these feeds. Matches, dress goods, brushes, margarine, and candy are all manufactured by S.O.K., as well as the ownership of coffee roasting plants, sawmills, and flour mills. It contracts to build houses, has a credit department, a legal department, a laboratory, and a savings bank. It conducts its own educational department, and publishes its own newspaper. S.O.K. also has a cooperative college in Helsinki for the education of its future and present employees.

The O.T.K. Wholesale. The so-called progressive cooperative, O.T.K., which is composed largely of the societies which withdrew from the S.O.K. in 1916, caters more to city workers than to farmers. Otherwise it follows about the same procedure as its sister wholesale, the S.O.K. The O.T.K. owns more cooperative restaurants than its rival. It also owns bakeries, tailor shops, wood-working shops, meat factor-

ies and butcheries. Its stores and shops are second to none. Like S.O.K., it has its own educational department. It specializes in correspondence courses for its members, and is very active in conducting special courses in cooperative business at various locations in the territory in which it operates.

Elanto. Both S.O.K. and K.K. are composed of societies, which in themselves may be composed of many single locals. One such society, located at Helsinki, is called Elanto, of the K.K. group of cooperatives. This is probably the most outstanding cooperative society in Finland. It is composed of about 430 locals, with a membership of over 51,000. This particular society owns bakeries, farms, etc., all its own. Its restaurants in Helsinki are the last word in culinary efficiency and style. It employs over 3,500 people, and exercises every care and provision possible over its employees. It extends outward from Helsinki over a radius of about 18 miles, besides its wide activity in the city proper.

Hankkija. As previously mentioned, the Hankkija Society was organized primarily for buying and selling commodities for the farmers of Finland. Pellervo started these farm cooperatives in 1901, and by 1905, 47 were in operation. At this time, Pellervo urged these 47 societies to organize a common wholesale, which they did, calling it Hankkija. Today Hankkija and Labor, a similar farm cooperative, dominate the sale of agricultural commodities. It also cleans seeds for farmers, promotes better bull associations, erects power lines, forms cow-testing associations, operates sawmills, and moss-litter works, mills flour, etc. It is now operating strictly as a wholesale, functioning in five major departments, which are as follows: (1) manures and feedstock (2) grains (3) seeds (4) farm machinery, and (5) electrical. It has done especially fine work in plant breeding, and has given Finnish farmers superior strains of plants for them to grow as a result of their experimental farm, called Tammisto. All experimental work in farm practices is tried out at Tammisto first, before the results are passed on to the Finnish farmers. In fact, such fine work has been accomplished at Tammisto that the State now subsidizes it to the extent to \$7,500 annually. Hankkija also indulges in an extensive building program. It erects creameries, flour mills, sawmills, etc., for its numerous local societies. Its electrical department has installed most of the rural power lines of Finland. It also sells and manufactures farm machinery. Hankkija has an educational department similar to S.O.K. and K.K.

Labor. As previously noted, Labor is the name of the other agricultural cooperative society. It operates more in the territory of the Swedish-speaking area of Finland. Its activities and commodities handled are much the same as those listed for Hankkija. Labor is really the oldest cooperative in Finland, although it is not so large in its membership as Hankkija. It has an annual turnover of over \$3,000,000.

Cooperative Credit Banks. Credit banks were started in Finland in 1902 by Dr. Gebhard, fashioned after the original German credit bank which was founded by Freidrich Wilhelm Raiffeisen in Anhausen, Germany, in 1862. This cooperative society is known as O.K.O. These credit banks were organized by Dr. Gebhard mainly to help the small-holders who were mortgaged to the limit, and had no opportunity for further credit. Each member had to subscribe for at least one share of stock. Borrowers were visited frequently by agents of the credit banks, to make sure that the money borrowed was being used for productive purposes. No security was demanded of the borrower for small loans, but any loan exceeding \$50 had to be secured. Over \$10,000,000 is handled annually by O.K.O. However, not all the money loaned by O.K.O. is the savings of its membership. Part of the money loaned out is borrowed from the State.

Cooperative Creameries, Etc. There are nearly 700 cooperative creameries in Finland. The average Finnish farmer owns between five and ten cows. The principle creamery cooperative of Finland is Valio, which handles more than 90 per cent of all Finnish export butter, and 70 per cent of its cheese. Both Valio and the State exercise strict oversight in the manufacture of Finnish butter and cheese. Contests amongst the butter-makers, as well as the cheese-makers are numerous. Valio conducts schools for training creamery workers, as well as specializing on pasture improvement projects. It publishes two farm papers pertaining to dairying. Valio has been responsible for the constant improvement of Finnish butter and cheese, until it now ranks favorably with the Scandinavian products. Valio has also perfected a very efficient sales agency abroad for the marketing of Finnish dairy products. Besides Valio, there are a number of other smaller cooperatives of an agricultural nature. Muna is the name of an egg central composed of about 160 egg societies. There are many machinery cooperative societies which loan out farm implements by the hour to small-holders and farmers in general. Telephone and electric cooperatives are also very numerous in Finland.

In Conclusion. Cooperative buying and selling of commodities in Finland has changed this country from a destitute population to a nation renowned for its equitable economic system. Of all the debtor nations in the World following the World War, Finland is the only country that has paid its debt to the United States. Finland is a splendid example of what cooperation can do for a people who only 40 years ago were destitute. It also demonstrates that prosperity is possible in a country poor in natural resources. The two major cooperatives, S.O.K. and K.K., cover every nook and corner in Finland with their many cooperative activities. Finland cooperatives differ slightly from the cooperatives of other lands in that they handle their commodities on a lower margin of profit than elsewhere, which possibly accounts for not having larger financial reserves with which they could enter the manufacturing field more actively. This situation, probably due to the intense competition between the cooperatives themselves, will no doubt right itself in time. Finland's economic growth, like her Scandinavian neighbors, is parallel to her cooperative growth. Her people are in a far better situation now than they were when Dr. Gebhard started the Pellervo Society back in 1899.

GUIDE QUESTIONS FOR CHAPTER 5

1. When did Finland gain its freedom from Russia?
2. Name some of the important industries of Finland.
3. Explain in detail how Dr. Gebhard started cooperation in Finland.
4. When and where did the first Finnish cooperative originate?
5. Name three prominent cooperative wholesales of Finland.
6. Explain the circumstances under which S.O.K. was created.
7. Name some of the commodities handled, and services rendered by S.O.K.
8. Describe some of the cooperative activities of OTK.
9. Discuss the accomplishments of the Elanto Society.
10. What have been some of the most outstanding achievements of the Hankkija Society?
11. What special class of Finnish farmers are members of the Labor cooperative society of Finland?
12. Describe how the O.K.O. functions.
13. Explain how the Valio society has improved the dairy industry of Finland.
14. What effect has Dr. Gebhard and the Pellervo Society had upon Finland?

CHAPTER 6

NOVA SCOTIA SEES THE LIGHT

Cooperation Abroad. The history, progress, and methods of cooperation as found in the Scandinavian countries, Finland, and England have already been presented in this book chiefly to show the tremendous possibilities which this movement offers for the masses who choose to embrace it. Before leaving the examples set up by our foreign cousins, however, it might be in keeping to explore one more country which is much closer home, and learn how the people of this country enriched their lives manifold through the medium of cooperation in its fullest sense. Nova Scotia, a province of the Dominion of Canada, awakened to the magic of cooperation in the early '20's, and since that short period of time has made tremendous progress in developing a system of self-help through cooperative principles that has given this little province world-wide recognition in the field of cooperation.

The Status Of Eastern Nova Scotia. The eastern part of Nova Scotia, composed of seven counties, covering an area of about 20,000 square miles, with a population of around 200,000 people, is the setting of the now justly famous cooperative achievement of this most easterly unit of the Dominion of Canada. Both consumer and marketing cooperative associations have played a big part in the farming and fishing industries of these people, while with the miners, consumer cooperative societies have been the most prominent. Up until 1907, there was but one cooperative seed growing in all of Nova Scotia, and that was located at Sidney Mines, in the form of a cooperative store. This little store, starting with a beginning capital of \$343 in 1907, now has an annual turnover of about \$2,000,000, having four branches, besides owning and operating a bakery, a tailor shop, and a pasteurized milk plant. Despite this early example of consumer cooperation, in this area, this particular cooperative, strange to say, is not typical of the present cooperative movement in Nova Scotia, in that it follows the custom of the English cooperative system of concerning itself with more efficient marketing concepts only, while the Nova Scotia cooperatives as a whole go much deeper into the cooperative movement to the extent of enriching the lives of their membership in countless ways.

Destitution. Even as late as 1927 fishermen and farmers of Nova Scotia were destitute. Their produce was barely returning them enough income to keep body and soul together. Many of these men had to support large families on as little as \$300 to \$400 a year, with no prospects for any improvement in their financial condition to look forward to. In desperation these men sought the counsel of a Catholic priest, Rev. J. J. Tompkins. This man had been preaching the doctrine of cooperation for years to these people, but they had not listened. Dr. Tompkins organized a number of small study clubs, and tried to get these people to start thinking about a solution to their problems. He even had to teach some of the people to read and write before they could function properly in these study clubs. Dr. Tompkins told these men to decide upon what they really wanted to do in order to help themselves. Thus, most of their actions resulted from their own ideas, while Dr. Tompkins continued to supply them with pamphlets, books, and all other available literature that he could find on the economic system. Thus did Nova Scotia put her first foot forward in the building of a foundation for cooperation and self-help.

Cooperative Education. Father Tompkins soon found himself swamped with demands for cooperative education. In 1927 the demand upon his time became so great that overtures were made to the St. Francis Xavier University of Antigonish that an extension division be added so that some form of systematic education be offered to the people as a whole, rather than the chosen few who were allowed to attend this University. This extension division was in due time added, and much of the success of the cooperative movement in Nova Scotia is due to this extension department, together with the "Men of Antigonish," who got out among the people and worked with them, mainly through the many study clubs which they organized. Prior to the organization of this department, Dr. Tompkins had organized a People's School, fashioned after the Danish Folks School of half a century ago. Thus the ground work was effectively laid for cooperative education, as well as the beginning of a number of credit unions. The miners, as well as the farmers and fishermen, were included in the work of cooperative education. The cooperative movement in Nova Scotia is somewhat distinct from other countries, in that study clubs and credit unions were formed before any cooperative action was practiced. In other countries, usually cooperative education, by means of study clubs, was the sole forerunner of cooperative activity. But the Nova Scotia idea stresses the addition of the credit union to go hand in hand with every study club. It certainly was a wise provision.

A Crate Of Lobsters. How four fishermen of Nova Scotia banded together and marketed a crate of lobsters has an interesting lesson for every farmer in America. The private lobster dealers in Nova Scotia had a set price of 7 cents a pound on all full-sized lobsters brought in by the fishermen. Four fishermen who were members of one of the study clubs decided to put into actual practice some of their knowledge. Consequently, they hunted through an old fish magazine, and found the address of a lobster dealer of Boston, Mass., and shipped him a 140-pound crate of lobsters. At the rate of the local price paid for lobsters, this crate of 140 pounds of lobsters would have brought these fishermen \$9.80. However, these men were bold enough to hope that the Boston buyer would pay them as high as \$12, or even \$13 for the shipment, instead of the customary \$9.80. In due course of time, they received their check for the lobsters, and this check was not for \$9.80, nor \$12 or \$13, but for \$32. These men, by cooperating in their marketing, had sold their lobsters for about 23 cents a pound, instead of 7 cents. While this might be an extreme example, it serves to illustrate the point.

Buying Pools. Through the medium of St. Francis Xavier University and its staff of workers, farmers, fishermen, miners and others were educated in the study of economics. Largely through the medium of study clubs, these people were taught how to organize credit unions to supply their own banking requirements, consumer cooperation for the purchasing of materials such as groceries, farm supplies, etc., and cooperative marketing for the realization of better prices for their primary products. One interesting outgrowth of the purchasing pools for farmers is that in just three years time, the organized farmers of Eastern Nova Scotia saved themselves \$75,000 on about 15,000 tons of commercial fertilizers, while each year they have flour and feed shipped to them directly from Lake Superior at a saving of \$8,000. These are but two examples of the large savings gained through cooperative purchasing.

Cooperative Marketing By Fishermen. The crate of lobsters previously mentioned was but the forerunner of many other crates of lobsters not only for Boston, but to many other markets as well. When the Nova Scotia fishermen found out the wide spread of profit that the local buyers had been making, they decided to do their own marketing. At first, only crates of lobsters were marketed cooperatively. Later, thanks to their credit unions, they soon had sufficient capital to establish their own cooperative lobster factories, as well as their own cooperative fish processing plants. By the first of January, 1938, these fishermen had established 17

cooperative lobster factories, and 11 fish processing plants, and the end is not yet in sight. Besides these numerous ventures in cooperative marketing, 40 consumer stores have already been established in this area. All of this progress has been made in 10 short years.

The Nova Scotia Way. The cooperative movement has become rooted in Eastern Nova Scotia in a manner somewhat similar to European countries studied, but it has certain features, because of varying conditions, that distinguish it from others. Consumer cooperatives have possibly received more emphasis in Nova Scotia than have the farm marketing cooperatives. The cooperative marketing of fish undoubtedly is also further developed than that of farm commodities. The method pursued in all the cooperative countries in establishing the groundwork, however, is much the same. Cooperative education must precede successful cooperative action. Nova Scotia has placed special emphasis on the study club as the unit of action. After a study club had become established, its members were urged to organize a credit union to function as an auxiliary to the study club. As noted previously, this idea is distinctly a feature of all the cooperative activity in Nova Scotia. Also, the people of Nova Scotia who started the cooperative movement were united more by religious than racial ties, as was the case in several of the successful European countries.

The Nova Scotia Study Clubs. Farmers, as well as fishermen, miners, factory workers, and office workers are all members of the many study clubs in Nova Scotia. No one who is really interested in study clubs is denied membership. The extension division of St. Francis Xavier University prepares mimeographed study sheets for the use of the leaders and members of the various study clubs. In fact, the men in charge of this extension division not only prepare these study sheets, but they are constantly out among their people, always maintaining a close personal contact with the people whom they serve. The study clubs usually meet once a week in the home of one of its members. Each club selects its own leader, and these leaders are called in monthly to the university for special training in leading group discussions on current economic problems. There are also special study groups for women which pertain to the art of home making.

The Return Of Ownership. The cause of destitution among the people of Nova Scotia was due largely to the centralized ownership of the products that the people had to buy and sell. What was then true in Nova Scotia is even more so today in our own country. Small local merchants still have considerable trouble in our country to keep

above water because of the gigantic chain store and monopolistic corporations driving them to financial ruin. After the "Men of Antigonish," as the leaders of the extension department of St. Francis Xavier University are so often called, had finally succeeded in convincing their people that they could do far more for themselves than any one else possibly could, they began to buy and sell on a cooperative basis. Thus they eliminated the profits of the middleman, which in too many cases were decidedly unfair. This democratic form of marketing gave each member of these cooperative organizations partial ownership of his own business, where he also had a voice in the management. This is true also of the other cooperative societies located all over the world. The cooperative movement in Nova Scotia, as in all countries where it is practiced, restores widespread ownership to the masses, and drives out centralized ownership by the few whenever centralized ownership is unfair.

GUIDE QUESTIONS FOR CHAPTER 6

1. Explain the character of the first cooperative store in Nova Scotia.
2. What educational program was responsible for the beginning of cooperative thought in Nova Scotia?
3. How does the origin of cooperation in Nova Scotia differ from that of the other cooperative countries previously studied?
4. Describe the experience of four fishermen in the direct marketing of a crate of lobsters.
5. Discuss the savings made by farmers' buying pools in Nova Scotia.
6. Describe the growth of cooperative fisheries of Nova Scotia.
7. Of what importance is the study club in the Nova Scotia plan of cooperative activity?
8. Explain the mechanism of the Nova Scotia study clubs.
9. Describe the effects that cooperative buying and selling have had upon the people of Nova Scotia.

CHAPTER 7

OTHER FOREIGN COOPERATIVES

Cooperatives World-Wide. The past few chapters have been briefly describing the achievements of a few foreign countries who have succeeded in pulling themselves up by their boot-straps from economic poverty, and all that goes with it, by means of cooperative activities in functioning their various economic structures. To cite these countries as the only ones that have achieved economic greatness by cooperation would be wrong. There are examples of economic freedom gained by many other countries than those listed herein, but space does not permit account of all such accomplishments. The Scandinavian and other countries whose cooperatives have achieved such remarkable results have been described here more for the purpose of acquainting the reader with the methods used and the gains made, rather than inferring that they were the only idealistic cooperative examples. Fleeting glimpses will next be made of several other countries that deal with cooperatives in the present chapter, more to give a general idea of its universal adoption, rather than to describe details of operation.

Switzerland Cooperatives. Another country which has distinguished itself in the cooperative movement is Switzerland. While this country did not start its cooperative activities as soon as some of the other countries already mentioned, it has come rapidly to the front in the last thirty years, and is now regarded as one of the leading cooperative countries. Most of its cooperatives are concerned with the marketing of dairy products, especially cheese. One feature of the Swiss cooperatives that is distinctly of Swiss origin, is the inclusion of dealers, or middlemen, as a part of some of their cooperatives.

Cooperatives Versus Dictators. Every European country is dotted with cooperatives of one kind or another, with the exception of three which are ruled by dictators. Even Russia, Italy and Germany were following the cooperative idea in their marketing and consumer transactions until the advent of the dictators. Before the Russian revolution, the Russians were engaged in building up a very effective system of cooperatives. However, after Russia fell into the hands of the dictator, these cooperatives were forced to accept outside management from the State, which soon ruined the efficiency of

their associations, so that now Russian cooperatives are but shadows of their former selves. Also, there are still a few remnants of the cooperative system in Germany, but the control of these cooperatives has been taken away from the membership and passed on to the Government, which has just about nullified the efficiency of these associations. In Italy, any cooperatives that were active politically were completely wiped out, and only those which had not engaged in any form of political activity were allowed to remain in operation. Thus it can be seen that economic freedom is very essential to the efficient operation of the Cooperative Movement.

Other Cooperative Countries. But the cooperative movement, born on European soil, soon migrated to other shores. For example, Iceland, a small country to the north, does over half its business through consumer and marketing cooperatives. Iceland, incidentally, has the smallest percentage of illiteracy of any country in the world today. Cooperatives are also prominent in such countries as Argentine, China, South Africa, Australia, Canada, Armenia, Turkey, Egypt, Ireland, India, Mexico, France, and New Zealand. In fact, one can hardly name a single country in the entire world that is not engaged in some form of cooperative enterprise.

Kagawa And Japan. Probably one of the most outstanding personalities in the Cooperative Movement in the entire world today is Toyohiko Kagawa of Japan. Born and reared in the slums, self-educated, and constantly harassed by disease, Kagawa has devoted his life to cooperative Christianity. Although he did not originate the Cooperative Movement in Japan, he has popularized it tremendously. The Japanese government looks with favor upon the Cooperative Movement, and has granted Kagawa many privileges in his efforts to bring about cooperation in Japan. Nearly one-third of the Japanese people are members of some cooperative activity. Kagawa publishes a cooperative magazine which has a circulation of nearly 1,000,000 copies, and is considered the largest circularized cooperative magazine in the world. Consumer, marketing, and credit cooperatives are all flourishing in Japan, with the credit cooperatives taking first place in popularity. Kagawa is given a free hand by the Japanese government in the moulding of public sentiment in favor of the Cooperative Movement. He has fashioned the rural schools of Japan after the Danish folk schools; he recruits leaders for the work from the graduates of the five big universities of Tokyo; he has induced many preachers and doctors to join the Cooperative Movement; he has succeeded in starting about 150 cooperative hospitals. He is active in instructing the social workers

of his country on the Cooperative Movement and writes books and other articles on cooperative activities that are widely read by the people of Japan. There are now over 15,000 cooperative societies in Japan, most of which are affiliated with the national Central Cooperative Union. The government is a shareholder in the Japanese cooperatives in order that none but sound principles creep into the associations. Kagawa has contributed to the Cooperative Movement the idea that practical Christianity must go hand-in-hand with economic cooperation. Perhaps if there is one thing that is still needed in the cooperative development of the countries already studied in this book, it is the incorporation of Kagawa's particular version of the Cooperative Movement, Christianity in a practical form.

A Challenge. In concluding our bird's-eye view of other lands in regard to the Cooperative Movement, should we not ask ourselves if such freedom from economic slavery is possible for these people, whose natural resources are far below those of our own country, why can not we, here in America, achieve similar freedom? We can, if we will. Of the many cooperatives that are already functioning here in America, there is plenty of evidence that cooperatives can succeed here as well as they have for Europe or any other part of the world. Cooperation knows no geographical boundaries. Our farmers in this country, by marketing cooperatively, can gain much more of the consumer's dollar than they now receive. Also, both farmers and those who live in the cities can obtain their goods at lower costs by means of consumer cooperatives. Such cooperative practices will provide for a more equitable distribution of the wealth of this country. But before cooperative activity becomes widely accepted in this country, cooperative education must be made available to the people of America.

GUIDE QUESTIONS FOR CHAPTER 7

1. Are the Scandinavian countries the only ones in which cooperative activities are of major importance?
2. Name one special feature of the Switzerland cooperatives that is not found in any other of the cooperative countries.
3. What has been the usual fate of cooperatives in lands other than the democracies?
4. Name six other countries in which cooperatives are of growing importance.
5. Give a brief account of the more important accomplishments of Kagawa in the Japanese cooperatives.
6. Have cooperatives progressed more or less rapidly in countries that have limited natural resources?

CHAPTER 8

COOPERATIVE SERVICES

Self-Help Through Services. When one thinks of the Cooperative Movement, it is usually in terms of commodities bought or sold. There is, however, another angle of the Cooperative Movement that is gaining ground continually both in this country and abroad. This is the idea of SERVICES rendered on a cooperative basis. On many farms in America, this idea has been followed out in the matter of threshing grain, filling silos, husking bees, barn raising, and countless other community activities. Crews for these various farm jobs are organized, going from farm to farm in the neighborhood in order to get the work done on each farm in short order. Ordinarily, no money changes hands in these enterprises. Labor is exchanged between the various farmers in the community until the grain is all threshed, or the silos all filled, etc. This is one form of service cooperation, whether it has been regarded as such or not. Cooperative services have extended in scope in late years beyond the bounds of the threshing ring, and a few of these services, together with their possibilities, will be considered at this time.

Stallion Cooperatives. How he is to find a suitable stallion for breeding his mares has always been somewhat of a problem for the average farmer. In some communities, there can be found one or more farmers who own a stallion that is available for breeding purposes. When such a stallion is of excellent breeding, and the charges for his services are reasonable, the problem of horse breeding in that locality may be well taken care of. However, not all communities are favored with such an ideal situation. Either the stallions available are undesirable for breeding purposes, or the condition prevailing may be unsatisfactory. Under such situations, a community-owned stallion would be the means of improving the caliber of the breeding of horses in such communities to a considerable extent. Usually from 25 to 50 farmers or more, if possible, form a cooperative stallion club by each buying a share costing from \$10 to \$25. This money is used in purchasing a purebred stallion of some recognized breed. In some associations, one farmer is given charge of the stallion, and transports him to the different farms as needed either on a truck or on a trailer. More often, however, a good horseman in the community is hired to do this work, and paid a regular salary by the cooperative. Charges usually run between \$10 and \$15 for

each mare served for members, with somewhat higher charges for non-members. When the sire cannot be used in the community further, arrangements are sometimes made between two stallion cooperatives which sponsor the same breed for exchanging sires. This plan obviates the necessity of the two cooperatives spending more money for a different sire. There are still many communities who could use the cooperative stallion plan to good advantage.

Cooperative Artificial Breeding Associations. Another cooperative service that is fast gaining recognition in America is the organization of artificial breeding associations in dairying communities. This plan is now used widely in Russia and Denmark, and is spreading rapidly to many other countries. A typical set-up of such a cooperative service would be as follows: Dairymen who raise the most common breeds of cattle in a given community agree to pay a certain fee per cow for breeding services. Perhaps this fee might be \$5 per cow per year. A full-time veterinarian is hired by the cooperative to do the work. Proved sires are purchased for the source of semen. This semen is taken from the sires artificially and held at proper temperature for several days, if necessary. For example, when a Guernsey breeder, who is a member of this association, finds that he has a cow ready for breeding, he calls up the veterinarian at once. The veterinarian goes out to this farm with a capsule of semen obtained from the Guernsey bull owned by the association, and injects it into the reproductive organs of the cow in question. This plan eliminates the necessity of the farmers who belong to the cooperative from keeping a herd sire on the farm, which is a decided advantage in itself, but furthermore, it assures the average farmer of a much better standard of breeding than he could ordinarily afford otherwise. This same plan is also being used with horses and sheep as well.

Dairy Herd Improvement Associations. In the dairy sections of America and other countries, cooperative associations have been organized for the purpose of measuring the production of butterfat of herds of dairy cattle. Farmers who join these dairy herd improvement cooperatives are usually charged from \$30 to \$40 a year for this service. An association is usually composed of 26 or more dairymen, who organize and hire a cow-tester. This tester spends a day each month on each farm, testing the milk from each cow and computing the results in terms of butterfat. The tester also advises the farmer regarding feeding practices, use of herd sires, etc. Such a testing program enables a farmer to weed out his poor producers. This testing association set-up is now in the process of revision in some sections, and being patterned after the Washington plan,

whereby a central testing laboratory is established in a county, and one person is hired to do all the testing and accounting in this laboratory. Meanwhile, several field men are employed, who deliver the sample kits and scales to the farmers in the association. For example, a field man might deliver four milk-sampling outfits and scales to four neighboring farmers on the same day. He would take samples on one of these farms himself, while the other three farmers would do their own sampling and weighing. The next morning he would collect all four sample kits and scales and take them to the central laboratory for testing and computation. Later, the field man would return to these four farmers their herd record books, interpret the results, advise them on herd management problems, etc. This type of association considerably reduces the annual cost of testing to the farmer and because of this factor is encouraging wider participation.

Cooperative Spray Rings. Because not many farmers engaged in general farming own spraying equipment or are familiar with proper spraying schedules or the ingredients used, the cooperative spray ring is used for spraying fruit in many sections of the country. When a number of farmers agree to spray their fruit cooperatively, they may not organize as a bona fide cooperative society, but simply form an informal organization by paying for their respective shares of a sprayer of some description. Very often one or two young farmers in the neighborhood will take over the responsibility of spraying the fruit of the members with the company sprayer, using the proper spray ingredients in the proper amounts and at the correct stage of growth of the fruits sprayed. These men are paid for the time spent on each farm by each farmer, as well as for the amount of spray material used. This plan seems to be preferred by most farmers, because they often feel they cannot spare the time to spray when necessary. Because disease and insect enemies make it practically impossible to produce sound fruit without spraying, the spray ring idea is fast gaining ground with farmers engaged in general farming. Many of these spray ring members often use the spraying outfit to whitewash their barns, also.

Cooperative Health. Cooperative health associations of various kinds are spreading rapidly in America. They have been in vogue in some European countries for many years. One common plan is to form a cooperative health group from a number of families in a community, perhaps 100 families or more. Each family contributes a certain fee, in some associations \$5 per month, for which the cooperative doctor will service the entire family for all ordinary ailments. This,

of course, does not include hospitalization. The first cooperative hospital association in America was formed at Elk City, Oklahoma, supported to a considerable extent by the Farmers Union. This cooperative hospital has enjoyed remarkable success, despite the combined opposition of many local doctors. This hospital cooperative is formed in a manner similar to the health insurance cooperatives. Each family is charged a certain fee per month or year. This fee entitles any member of the family to hospitalization for a certain length of time without any extra charges, except for major operations. Because of the success of the cooperative hospital at Elk City Oklahoma, many other localities are now considering plans for organizing similar hospitals.

Cooperative Libraries. Because some public libraries do not fulfill the wants of people interested in the Cooperative Movement, some communities have organized cooperative lending libraries whereby books dealing with the various phases of cooperative activities are purchased by the association and loaned out to its members. Many study clubs and farm cooperatives of various kinds have such a library for the benefit of their members. Under this plan, members are enabled to read a great variety of cooperative literature at relatively small expense.

Miscellaneous Cooperative Services. To list all of the numerous cooperative services employed in this or any other country would be a physical impossibility. Only a few of the more common services have been discussed. Credit and fire insurance cooperatives have already been treated. Some communities have formed burial cooperatives, while cooperative laundries flourish in many countries. Farmers of this country have organized a number of feed grinding cooperatives. Hauling milk and cream is a common form of cooperative service among farmers of many localities. Doubtless this particular phase of cooperative activity, cooperative services, will be constantly enlarged as the cooperative idea continues to gain momentum in this country.

GUIDE QUESTIONS FOR CHAPTER 8

1. What other major cooperative activity is employed in many countries besides the buying and selling of merchandise?
2. Explain how a cooperative stallion club can be made to function for the benefit of the farmers in a given community.
3. Of what benefit to the average farmer is the artificial breeding ring?

4. Explain the Washington plan of the dairy herd improvement association.
5. Describe how a fruit tree spray ring can be operated on a cooperative basis.
6. Describe the possibilities of the cooperative health program that is now being fostered in this country.
7. Describe how a cooperative library may be made to function.
8. Enumerate several other cooperative services practiced by the farmers of this country.

CHAPTER 9

WHY COOPERATIVES LAG IN AMERICA

Lack Of Cooperative Education. One of the greatest reasons why cooperatives are not as prominent in this country as they are in other countries is the lack of cooperative education available to the farmer. Even now, not many farmers are in a position to learn of the many advantages that cooperative marketing or buying has to offer. The farmer has been too much engrossed in the business of producing enough commodities to enable him to make both ends meet to attend cooperative meetings whereby he could acquaint himself with its many advantages. Despite the increasing amount of cooperative literature being circulated for their inspection, many farmers are too tired at night to do a great deal of reading about cooperatives or anything else, for that matter. What information the average farmer has picked up concerning cooperatives has been more or less piece-meal, rather than a systematic course of training.

Our Natural Resources. In countries where the cooperatives have made their best strides, natural resources have been at a low ebb. Denmark, for example, back in 1860, was anything but a country blessed with natural resources when cooperation was turned to as a last resort. Danish farmers simply HAD to join with one another in marketing their products, or perish. In this country, where new frontiers were constantly being opened up, farmers would often elect to invade new borders rather than wrestle with worn out soil. These new frontiers would also stimulate other lines of business, so we rolled merrily along, until we finally discovered that at last we had no more frontiers to conquer. Then, and not until then, did it dawn upon us that we had no more natural resources to realize. Now we must stand our ground, and endeavor to make more from the products raised from the soil than we previously had been able to do.

Rugged Individualism. The historic background of the American farmer has been that of rugged individualism. He pioneered, worked hard, and by so doing was able to wrest a living for his family from the products of the soil. He became intensely individualistic; that is, he did not have to depend very much upon his neighbors in most things pertaining to the conduct of his farming operations. His was a one-man or one-family business. If the American market was temporarily supplied with the products he had to sell, there was always

the foreign markets to take up the slack. But after the World War, the foreign markets commenced to fade, and as a result the domestic market was glutted. But the American farmer, who had been going along pretty well until this time, in single harness, wasn't prepared to join with other farmers in order to gain some of the marketing profits that he had customarily been giving to the middleman. He had nothing to point his thinking in this direction from past experiences. The idea of marketing collectively was entirely new to him; thus the American farmer continued to go it alone as he had been accustomed to doing.

Skepticism. Associated very closely with the policy of rugged individualism is another trait common to many American farmers—skepticism. The American farmer ordinarily does not have the social contacts that many city people enjoy. He may mingle with his fellow man only a few hours a week, while his city cousins, because of their confined quarters, associate with one another far more than it is possible for him to do. Again, most European farms are so small that it is much more possible for these people to mingle with one another than it is for the American farmer, who generally has at least 80 acres of land, and often hundreds of acres. This isolation is probably responsible for much of the suspicion that has been charged to the American farmer. He is often skeptical of any new or different way of doing things. He often believes that some new plan is just a scheme for somebody to make some easy money at his expense. This skepticism has been one important factor that has hindered progress in the formation of cooperatives as well as many other improvements that have been offered to him from time to time.

Impatience. Many farmers who have been urged to join cooperatives have been told by other farmers, or paid organizers of cooperatives, that once they join the cooperative in question, their troubles would be over forever. Of course, such promises were rash and hasty, and were made either by fellow cooperators who were over-enthusiastic or by organizers who were paid a commission on the number of new members signed by them. Obviously, when a farmer is promised this and that in order to get his name on the dotted line, and then finds that the cooperative doesn't accomplish all these things during the first year of its existence, he becomes impatient of results, commences to find fault, and his reaction towards the cooperative under such conditions is often justly critical.

Questionable Leadership. The great majority of cooperative leaders today are hard working, sincere, honest men, who spend much of their own time and money in furthering the ideals of cooperation.

Many of these men have made tremendous personal sacrifices in order to make others see the advantages associated with cooperative efforts. However, all great movements have their Judases; and the cooperative movement is no exception to this rule. Every once in a while, a local or state leader of cooperatives is found who is active because of some selfish reason, or who lacks leadership ability, despite unbounded enthusiasm. Such leaders are often the cause of failure of the cooperative to survive in these localities, because the farmers have no confidence in their leaders. When farmers are electing the officers of their organizations, they are not necessarily obliged to put the men in office who do the most talking, but instead, they should entrust only those who are good farmers themselves, who are honest, and are willing to devote extra time for the good of the organization. If farmers insist at the outset to forget personal feelings, and to elect capable men as directors, there would be little difficulty with false prophets in their various farm organizations.

Selfishness. Some farmers have failed to go along with their local cooperatives because of selfish reasons. Unless they could eke out a little more profit for themselves than the other fellow, they just wouldn't play ball. Family relationships or other business tie-ups in one way or another have all been responsible for some farmers staying out of cooperatives. Failure of cooperatives to function according to the selfish demands of some members or non-members have often caused some farmers to have nothing to do with the cooperative movement. A successful cooperative needs the unselfish support of its entire membership. When any of the members drop out because of selfish reasons, it hurts both the cooperative and such members as well.

Lack Of Publicity. Not enough favorable publicity has been accorded the cooperative movement in this country. Farm weeklies occasionally devote a little space to the movement, besides a number of bulletins sent out by agricultural colleges and the U. S. Department of Agriculture. However, not all such bulletins are entirely understandable to the average farmer. The daily press, the radio, and other forms of publicity agencies have been rather stingy with any kind of publicity dealing with the cooperative movement in general. The literature of the various farmer organizations, such as the Farmers Equity-Union, the Grange, the Farm Bureau, etc., contain by far the most helpful and practical reading information about cooperatives. Such literature is sent out constantly to the members of these organizations, but of course leaves non-members still too much in the dark about the real mission of cooperatives. Until

farmers of all classes have an opportunity to subscribe to a service that is informative in nature about what is actually happening in cooperative circles all over the country, as well as in foreign countries, only a fraction of our farmers will have the benefits of cooperative education.

Poor Management. Not all of the cooperatives that have been organized in this country are still in existence. Many of them have collapsed for one reason or another. One of the most common reasons for cooperative failures has been due to lack of efficient management either by the manager, the board of directors, or by both. Once a cooperative venture fails in a community, it is remembered far longer than when a dozen succeed. Farmers can always point their finger at such a failure and say "never again". This has been one reason why it is sometimes difficult to interest farmers in certain communities about joining other cooperatives. For this reason, every member of a cooperative organization should be concerned about the abilities of the membership of the board of directors and the manager. Upon their decisions rests the ultimate success or failure of the association.

Lack Of Capital. Some cooperatives are classed as non-stock, while others are called stock associations. The non-stock associations operate without much fixed capital, while the stock cooperatives must have buildings, machinery, as well as operating capital. When it is planned to organize a stock cooperative, money has to be raised. This is usually done by selling shares to all who want to join the association. Unless there is enough enthusiasm and money forthcoming from prospective members of such an association, the stock form of cooperative cannot operate. There have been many cooperative attempts at various times which failed to materialize chiefly because not enough capital was subscribed to give the organization a proper start. Often, during membership campaigns for organizing cooperatives, there has been plenty of enthusiasm, but farmers did not have the money to match their ardor. Thus, lack of capital constitutes one important reason why cooperatives have not been formed so freely as the need would often seem to warrant.

Indifference. Another common reason why cooperatives have lagged in America is because of the indifference on the part of a certain percentage of the producers of farm products. This may or may not be the sum total of a number of the foregoing reasons just cited. Some farmers, for one reason or another, do not seem to care whether their products, which they have worked so hard to produce, reach the market through capable or wasteful efforts. Marketing cooperatively doesn't mean a thing to them. Even some members of coopera-

tive associations are alarmingly indifferent as to what their organization is doing for them. They are patronizing it only because they have found that the cooperative pays off more than the other fellow does, but do not stop to consider what they might receive for their products if the cooperative wasn't on the job. Most alert, live-wire cooperative organizations try to explain the benefits of the association to their members by issuing bulletins frequently in an effort to arouse their appreciation of what the cooperative is doing for each one. Indifference is still a very live issue that all cooperatives have to contend with, and the organizations that recognize that this IS a problem will weather any economic storm that might arise much better than those associations which ignore it or deny its existence.

GUIDE QUESTIONS FOR CHAPTER 9

1. State two reasons why there is a lack of cooperative education in this country.
2. Why does a lack of natural resources usually encourage farmers to join cooperatives?
3. What effect has rugged individualism had upon the formation of cooperative marketing associations in this country?
4. Why has the American farmer been accused of skepticism?
5. State two reasons why farmers sometimes become impatient with cooperative results.
6. Should a farmer withdraw from a cooperative because of questionable leadership within the organization?
7. If a cooperative grants special favors to one member, what is the effect of such an act upon the other members of the association?
8. How can a farmer be supplied with reliable cooperative literature?
9. Explain how poor management of cooperatives often hinders the development of cooperatives in this country.
10. Explain how lack of sufficient capital has prevented normal progress of the cooperative movement.
11. What effect upon a cooperative has membership indifference?

CHAPTER 10

PROGRESS OF COOPERATIVES IN THE U. S.

Our Country Lags In Cooperatives. It was brought out in Chapter 9 of this book that despite the steady progress of the cooperative movement in this country, we are still several paces behind our European cousins in the relative percentage of the amount of cooperative business done when compared to the amount of farm products sold through private channels. Cooperative education has been comparatively slow in this country. However, farmers are daily learning more about the advantages of cooperative marketing and buying with the result that more and more are turning to cooperatives as one way of solving their difficulties. It must be remembered, however, that cooperatives will not solve all the ills peculiar to agriculture. It is simply a means of improving its financial standing regarding the marketing or purchasing of commodities. However, cooperation in certain areas of America compares favorably with the marketing programs of foreign countries.

The First Cooperative Survey. In 1937 the first actual survey of farm cooperatives ever attempted in this country was begun. This survey was conducted jointly by about 30 state colleges of agriculture, the district bank of cooperatives, and the Farm Credit Administration. These various agencies made personal visits to these cooperatives to learn first hand, just what they were doing, how they were doing it, and all other points that they thought might be of interest to the farmers of the country. This survey included not only farm cooperatives, as we generally understand the term, but also farm mutual associations, such as fire insurance companies, and mutual irrigation companies. Since the completion of the 1937 survey, the real picture of cooperatives in this country can be presented for the first time.

The Cooperative Picture At A Glance. The 1937 survey brought out the fact that both marketing and purchasing cooperatives were found in every state in the Union, including Puerto Rico. These marketing associations were selling every conceivable form of farm products, while the purchasing associations were buying mainly feeds, seeds, fertilizers, spray materials, farm machinery and numerous other items for its members. Some of these associations have been functioning constantly since 1870, while more than 2,000 are over 25

years old. Most of the older associations are located in three mid-western states: Minnesota, Wisconsin, and Iowa.

Purchasing Associations Increasing. The 1937 survey brought out the interesting fact that the number of purchasing associations had increased more rapidly in recent years than had the marketing associations. One branch of the purchasing associations that had gained the most growth was the cooperative oil stations. Increased power farming, coupled with a wide margin of profits in fuel oil at that time, accounted for the phenomenal growth of these cooperatives. Cotton gins was another type of cooperative that loomed large in the cooperative horizon within recent years. Cooperatively owned grain elevators and livestock shipping associations have also been developed extensively between the years of 1910 and 1920.

Volume Of Business. In the 1937 survey, it was found that more than 15,000 cooperatives and mutual companies were operating in the United States, of which 1,900 were farmers' mutual insurance companies, and 2,500 mutual irrigation companies. The net sales of these cooperatives in 1936 aggregated more than \$2,000,000,000. Of this amount, dairy commodities ranked first, grain second, and livestock third. Next in line were fruit and vegetables, cotton, eggs and poultry, tobacco and wool. Most of these associations annually sold between 50 and 100 thousand dollars worth of farm products.

Cooperatives Render Services. Although the main function of a farm cooperative is to market farm commodities or to purchase farm supplies, these organizations also perform a wide variety of services. Such services include grading, packing, processing, storing, ginning, trucking, financing, advertising, testing, orchard management, pest control, and protection against frost. Seventy-three per cent of the cooperatives were found to be performing one or more of the above named services for their farmer-members. Of the 2,538 purchasing associations listed, 27 per cent performed other services in addition to the actual purchasing of farm supplies for their patrons.

Patronage Dividends. During 1936, more than \$25,000,000 was returned to the patrons in approximately 4,000 cooperatives, which indicates how rapidly the Cooperative Movement is developing in this country. Of this number, the purchasing cooperatives paid the largest returns to their patrons compared to any one branch of the marketing cooperatives. However, even these figures do not tell the whole story. Many of the younger cooperatives often vote to re-invest a part of their earnings in their own association or to establish a strong reserve for future lean years. Some cooperatives also

have a policy of rendering services as near cost as possible, without trying to build up a surplus for annual distribution to their members.

Legal Status Of Cooperatives. In order that farm cooperatives could operate legally within the various states, legislative bodies in the numerous states had to enact suitable laws. Every state in the Union now has provisions for the legality of the operation of cooperatives. Also, the Capper-Volstead Act, passed by Congress in 1922, aided materially in clarifying the status of cooperatives. Of the 15,000 cooperatives in the United States, more than 77 per cent are incorporated under their respective state cooperative laws. Cooperatives can incorporate under either stock or non-stock laws.

Democratic Control Of Cooperatives. Eighty-six per cent of the cooperatives functioning in this country strictly adhere to the Rochdale principle of one-man one-vote rule. However, about 12 per cent of the cooperatives, located mainly in Missouri and Illinois, allow ownership of stock or other membership equities to determine voting privileges. On the Pacific coast, voting privileges are based either on patronage or on a combination of patronage and membership. These later marketing associations feel that there is a distinct limitation to the one-man, one-vote idea when there is a big variation in tonnage patronage of the membership, and that democratic control is best served in such cases by the inclusion of the tonnage factor.

Operating Costs. As was to be expected, it was found that larger cooperatives operate more efficiently than the smaller ones because of a greater volume of business. The average selling expense found by the 1937 survey amounted to about 7 per cent of the value of the commodities. Naturally, where several services were performed by the cooperative, instead of one, the sales expense increases with the number of services performed. The survey also concluded that many of the cooperatives were operating on a volume of business too small for maximum efficiency.

Fire Insurance Companies. The Farmers' mutual fire insurance companies were found to be the oldest form of cooperatives in existence in this country, some being over 100 years old at the time of the survey. Over 3,000,000 farmers were insured against fire hazards for an average amount of approximately \$3,665. Not all states were included under this type of cooperative insurance; the North Central and Mid-Atlantic states being the most prominent in this activity. The primary purpose of these mutual fire insurance cooperatives is to operate on a cost basis. Usually each member is annually assessed a sum of money to cover average losses for the

year. However, if an unusual number of losses occur in any one year, whereby the regular assessment is insufficient to cover the losses incurred, the members may be subjected to an extra assessment for that year. However, the rates of the mutual companies are generally considerably lower than those of the regular "old line" insurance companies. The 1937 survey indicated that 1900 of these cooperatives were in operation at that time.

Irrigation Companies. There are about 2,500 mutual irrigation companies in this country, most of which are located in the main western states. The purpose of such mutual companies is to obtain irrigation water for its members at cost. Such companies are operated on a nonprofit basis. This form of cooperative is relatively small in numbers, the average membership usually running somewhere between 40 and 80 farmers.

Financing Cooperatives. Not all farm cooperatives possess all the capital needed for their operating expenses. Many cooperatives, especially those organizations functioning as non-stock companies, usually borrow funds for a portion of the year to finance their operations. About half of all the cooperatives in the country used borrowed funds at one time or another during the year for a short period. Tobacco, cotton, fruit and vegetable cooperatives are the heaviest borrowers in this regard.

Volume of Borrowed Capital. For the year 1936, over \$314,000,000 was borrowed by the various cooperatives of the United States. The two main sources of credit for these cooperatives were commercial banks and the government bank for cooperatives. Bond issues and the U. S. Reclamation Service helped the irrigation companies to finance their activities. Borrowed capital was found by the 1937 survey to be hired out at interest rates ranging from one to eleven per cent, depending upon the size of the loan, location, term of loan, source of credit, and the purpose for which the money was to be used. Unless the loan was a large one, the usual rate of interest was, in most instances, about 5 per cent.

The Banks For Cooperatives. One obstacle that has hindered the Cooperative Movement in this country has been the lack of capital. In 1933, Congress recognized this drawback by passing what is now known as the Farm Credit Act. This Act provided for the establishment of 13 banks for cooperatives; one for each of the 12 Farm Credit districts located in various parts of the country, and a central, or mother bank, located at Washington, D.C. During its first five years of existence, the banks loaned over \$337,000,000 to various farm cooperative associations located in all sections of the country.

In Summary. Statistics are often dry and uninteresting. Nevertheless, in order to present a true picture of conditions as they actually exist, such figures are almost necessary. After one reads the large amount of capital involved in the functioning of the various types of cooperatives now active in the United States, he can commence to realize the tremendous possibilities that this form of enterprise offers, because there is still a great deal more room for farm cooperatives in these United States.

GUIDE QUESTIONS FOR CHAPTER 10

1. How does the percentage of farm business done through cooperatives in this country compare with the percentage of farm products handled by European cooperatives?
2. Who conducted the first cooperative survey in this country and when was it conducted.
3. How many cooperative associations were 25 years old at the time of this cooperative survey?
4. Name three types of cooperative purchasing associations that have gained the greatest momentum in late years.
5. What was the extent of business done by the cooperatives in this country during 1936?
6. Name five services commonly performed by cooperatives besides selling or purchasing farm commodities.
7. How much money was returned in the form of dividends to 4,000 of these cooperatives in 1936?
8. Why must a cooperative society operate under the cooperative laws of the state?
9. Why is the one-man one-vote principle regarded as a safe plan of cooperative control?
10. What is the average operating expense of marketing farm products in terms of percentage value of the products?
11. Explain the plan of the mutual fire insurance companies.
12. What is the main purpose of the mutual irrigation companies?
13. Do stock or nonstock cooperatives generally have to depend upon borrowed capital?
14. Name two common sources of credit usually available to cooperatives who have to borrow capital.
15. Name four factors which often determine the rate of interest that cooperatives have to pay for borrowed capital.
16. Explain the purpose of the banks for cooperatives.

CHAPTER 11

FARM MARKETING OPERATIONS

Why Market Cooperatively? Farmers usually decide to market their products cooperatively when prices paid them are too low, when there is too high a cost of distribution from farm to consumer, or when there is a combination amongst buyers. These constitute the most popular reasons for cooperative marketing, although cooperatives have also been formed for other reasons.

Who Sponsors Marketing Cooperatives? The formation of farm marketing cooperatives has been made comparatively easy for farmers by various agencies. In some states a marketing division of the Department of Agriculture sends men to organize the cooperatives for the farmers. The federal government has been instrumental in assisting many groups in organizing various marketing cooperatives. A number of farm organizations, such as the Grange, the Farmers' Equity-Union, and the Farm Bureau are all very active in doing all they can to help farmers organize such marketing associations. State Colleges of Agriculture have also been very active in encouraging farmers to organize marketing cooperatives.

Who Is The Middleman? The middleman may be any party who has had a hand in the servicing of the farm product from the time the product leaves the farm until it reaches the consumer. Each middleman usually performs a certain service with the product, such as processing, packaging, storing, or distributing. Each middleman naturally performs this service with the expectation of making a profit for the work he has done.

Are Middlemen Necessary? Middlemen themselves, as we understand the term, are not necessary, but the services which they perform are very essential. When a cooperative marketing association performs one or more of the essential marketing services for a farm commodity, it automatically eliminates the middleman who formerly performed such services, and the profits thus saved are returned to the farmer-patrons of the cooperative in the form of dividends or increased prices paid them for their products.

Can Cooperatives Service Farm Commodities? The question often arises in the minds of farmers who are not very familiar with cooperative marketing if a farm cooperative is able to perform certain

marketing services as efficiently as private middlemen do. Farm cooperatives have emphatically answered this question themselves, very much in the affirmative. Usually such services are performed just as efficiently and as satisfactorily by the cooperatives, and many times more so. This is because the cooperative is more interested in the product than the private middleman usually is.

Essential Marketing Services. Not all farm commodities need the same marketing services. Potatoes might be marketed by merely grading and packaging. However, there are many farm commodities that need considerable servicing before they are ready for the consumer. These services are mainly as follows; (a) assembling; (b) grading; (c) transportation; (d) packaging; (e) processing; (f) distributing; (g) selling.

Assembling Farm Products. Both private dealers and cooperatives have found that a certain amount of farm commodities must first be assembled at one place before it would be profitable for further servicing. For example, livestock shipping associations usually set aside a certain day each week to receive and ship livestock, instead of allowing it to be brought in at random. By this arrangement, all of the farmers who have stock to ship that week make their plans to bring it in to the stockyards on the same day. This is called assembling, and is often associated with volume of business in shipping livestock.

Grading Farm Products. Consumers of farm products like to know what they are getting when they buy them. Retailers always prefer to buy their farm products from organizations who grade their products. Such a procedure establishes confidence on the part of the consumer. A sack of potatoes brought in to a grocer by a farmer who filled the sack with potatoes just as they were dug in the field, without sorting or grading them, would bring a much lower price than a sack that had been graded as to size, shape, soundness, and diseases of the potatoes. Nearly all farm products must be graded if they are to gain the best market prices.

Processing. When cream is churned into butter, we say that it has been processed. In other words, the cream is changed into a product that the consumer wants to buy. The consumer does not care to buy cream for the purpose of churning into butter. He wants the finished product. Many farm cooperatives have established plants for processing the raw products, such as cooperative creameries, cheese factories, and canning factories. Not all farm products have to be processed, however, before being sold. Eggs, fruits, and

vegetables are examples of a few commodities that need not be processed before they reach the consumer. Curing, aging and ripening are also to be considered as processing.

Packaging. Farm products must be placed in a container, or package, before being delivered to the consumer, or even to the retailer. Packaging allows the product to be handled efficiently while going the rounds through the channels of commerce. Some commodities, for example canned goods, are packaged in amounts convenient to the consumer without further packaging, while others, as fruits and vegetables, must be repackaged by the retailer. Whether a commodity is packaged by the private middleman or the cooperative, neatness and cleanliness of both product and package are of the utmost importance.

Transportation. Because consumers often live hundreds or even thousands of miles away from the point of production of farm products, a large proportion of the products raised on the farms must be transported to market by rail, water, or trucks. This is one service that farm cooperatives have not been able to perform in the marketing process to any great extent, although there are a few notable exceptions, such as trucking livestock to city stock yards. However, transportation is a very essential step in the marketing system, and without it, our present system of distribution would collapse.

Storing. Not all farm commodities are consumed as soon as they are harvested. Because of this fact, provisions have been made to hold these products in a manner that will still retain their food value until the consumer demands them. Some relatively perishable products, such as fruits and vegetables, must be held at certain temperatures so that they will neither freeze nor overheat. Such methods of storing demand large warehouses, where temperature and ventilation can be properly controlled. Such storing facilities are expensive, and naturally add considerable expense to the cost of the product when it reaches the consumer. There are many private middlemen who specialize in storing farm products, although more cooperatives are now commencing to handle this storage service.

Distributing. One of the biggest expenses involved in our present system of marketing farm products is the cost of distribution. When independent middlemen perform different services on a farm commodity, the cost of distribution is much higher than when a farm cooperative, for example, does the servicing. This is because the cooperative may perform several services on the commodity at one

place, whereby the private middleman may or may not perform as many services at one place as the cooperative would do. If a farmer sells a hog locally, and this hog is shipped 200 or 300 miles away to a packing plant to be butchered, cooled, etc., and then shipped back to his home town in the form of pork chops or pork roasts, the consumer has to pay about as much for the train ride as he does for the meat. Reduction of distribution costs is a challenge to the farm cooperatives of this country today.

Selling. Farm commodities are sold almost entirely by retail stores. This is the last marketing service performed before the consumer acquires ownership of the commodity. Each previous service which the commodity was subjected to cost something. When the retailer buys this product he pays for both the commodity and all accumulated service charges. He then must make a charge to the consumer that not only covers these costs, but one that will allow him to make a profit on the transaction as well. Sometimes these charges are fair, and sometimes they are not. One reason why Danish farmers receive such a large share of the consumer's dollar is because their cooperatives do most of the servicing of the commodities themselves, rather than allowing outsiders to do it for them.

Marketing Services. The present system of marketing farm products is largely the result of a "mush-room" growth. Private agencies sprung up to perform these services because they offered financial rewards in so doing. Farmers, as individuals, could not do much along marketing lines. Cooperatives were unheard of in the earlier days. So private middlemen jumped in and serviced these commodities for the farmers, because of the profit involved. These middlemen usually buy the product, perform one or more services on it, and then sell it to the next middleman, etc., until it ultimately reaches the consumer. In justice to these middlemen, it should be stated that they often had to undergo great financial risks in handling these products, and it was not uncommon for some of them to suffer serious losses.

The Need For Cooperatives. Private middlemen serviced farm commodities in the past because the producers knew little of the financial benefits of marketing cooperatively. Some private middlemen have amassed fortunes, while others have gone bankrupt. Since farm marketing cooperatives are becoming more numerous, and farmers are beginning to learn of their advantages, more and more farm products are being marketed by farm marketing associations. Since the purchasing power of the consumer is not what it has been in the past, farmers feel they must pay more attention to the market-

ing end of their business in order that they receive as much as possible for their products. This end can only be attained by farmers marketing their products through their own organization; the cooperative way.

GUIDE QUESTIONS FOR CHAPTER 11

1. State two common reasons why farmers often organize to market their products cooperatively.
2. Name two agencies that have been responsible for organizing farm marketing cooperatives in this community.
3. What is the function of the middleman?
4. Are middlemen necessary for marketing farm commodities? Why?
5. Do cooperatives generally perform marketing services as efficiently as private agencies, less efficiently, or more so?
6. Name five essential marketing services for farm products.
7. Give an example of what is meant by assembling a farm commodity.
8. State two reasons why farm products should always be graded.
9. Describe what is meant by processing farm products.
10. State two reasons why farm commodities should be packaged.
11. What are some reasons why farm commodities have to be transported.
12. Explain why it is often necessary to store farm products.
13. Give an example of a costly method of distributing a farm product.
14. Why is the selling price of a farm product often several times greater than the price paid the farmer for the same commodity?
15. Explain how the old, or regular system of marketing came into being.
16. Explain why farm marketing cooperatives are needed now, more than ever before.

CHAPTER 12

BENEFITS OF FARM MARKETING COOPERATIVES

What Are Farm Cooperatives? A great number of people do not understand the meaning of the farm cooperative movement. Such an organization may be defined as a group of farmers who see fit to join together and agree to market one or more farm commodities collectively. A plan must be presented and approved by a majority of the members, officers must be elected, and provisions made to assemble the product and to see that other necessary services are performed before the product is shipped to a marketing center.

An Example. To illustrate more fully, let us suppose that the farmers in your locality were selling their milk or cream to a privately owned creamery. The farmers feel that they should be paid more money for their butterfat than the company is paying. Consequently, they call a meeting of the local farmers, talk over their troubles, and finally decide to handle their own product. They will then elect a board of directors from their own number who will proceed to put their plans into actual operation.

Establishing The Cooperative Creamery. The directors will issue stocks, or shares, to be sold to the members in order to provide the necessary capital for purchasing the site, building, and equipment needed for the manufacturing of butter. The directors will also hire a manager and other help essential for the efficient operation of the creamery. Each prospective patron will be expected to buy one or more shares in order to assist in financing the venture. The manager will have to contact city markets to find the best possible outlet for the butter. This, very briefly, is an example of how many farm marketing cooperatives have been started in this country.

Are Farmers Benefited By This Change. If the farmers in the foregoing illustration have selected their directors wisely, and have lived up to their promises of patronizing their own organization, they will receive more money for their butterfat than they did when they were selling it to a private agency. Every cent over and above the actual cost of handling the butterfat will be returned to the farmers in the form of a higher price paid to them per pound. At least, that has been the history of farm marketing cooperatives in the past. In other words, the profits in manufacturing and marketing the butter which formerly went to the private creamery, are now distributed among the patrons of the creamery, according to the amount of butterfat delivered by each farmer.

Are There Other Marketing Benefits? Is the distribution of marketing profits the only benefit derived from a farm cooperative marketing organization? This question has been asked many times, and the answer is always the same, "NO." There are many other advantages to be gained by members of a cooperative marketing association. Some of the more important benefits will be brought out in this chapter to show that farmers who join cooperative marketing organizations gain in many different ways besides the extra marketing dividends.

Improved Quality. Cooperative marketing organizations are in a position to show their patrons what it means to deliver high quality products to their organization for marketing. A private company which buys farm commodities naturally would not be so interested in urging the farmers from whom it buys to always produce top quality. More often, such a company would simply be content to scale its prices down to meet the quality of the product offered, and would do little to incite them to produce better products. The cooperative, on the other hand, would have every incentive to encourage and instruct its patrons in producing better quality products so that they would receive higher prices when handled in a more systematic manner.

Better Marketing Understanding. Because the cooperative is in constant touch with the market, it has the opportunity of learning how its product can obtain the best prices on these markets. However, this information would be of little help unless it was passed on to the producer. Many farm cooperatives make a practice of keeping their members informed continually on the trends of the market. This may be done through bulletins, circular letters, or by having the manager or field man talk to the different patrons in person.

Volume Of Business. When a group of farmers organize to market their products collectively, they make it possible for the central markets to buy such commodities in large lots, often saving unnecessary expenses to both producer and consumer. Large produce handlers in the big cities much prefer to buy their products in either carlots or trainloads in some instances, rather than in small amounts here and there. When a cooperative can sell its products in carlots, for example, it immediately gains the attention of the big buyers.

Better Services. A farm marketing cooperative will naturally be more interested in performing the various marketing services for its members than will private agencies. The main objectives of the two

marketing agencies are quite different. The chief objective of the private agency is to make profit, while that of the cooperative is mainly to render the best possible services for its patrons. It is only human for one to strive to do a job better for one's self than for somebody else. So, too, with the cooperatives in the big job of marketing. The cooperative is duty bound to do everything possible to win the highest possible price the market will pay for its product by rendering only the very best services. The various private agencies do not always have such an incentive.

Displacing Middlemen. Private middlemen perform various services for farm products. Certain services must be performed in the marketing procedure whether by a middleman or by a cooperative. It often happens, however, that there are too many middlemen handling farm products. Every farm product has to be serviced in one way or another. Every private agency that handles farm products extracts a profit for so doing, whether the services be essential or not. The ideal farm marketing cooperative performs as many different essential services as possible on the commodity before it reaches the ultimate consumer. Such a plan returns several marketing profits back to the producers which would otherwise go into the hands of private middlemen.

The Consumer's Dollar. In countries where farm marketing cooperatives have forged to the front, such as Denmark, for example, the farmer receives two-thirds of the consumer's dollar, while in this country the farmer receives but one-third of this dollar. Most farmers think that this is too great a spread, and blame the present distribution system for such poor returns. Farm cooperatives have the opportunity for handling these products for more services than the old marketing system, which means that farmers receive a larger share of the consumers' money than when the same products are marketed through private agencies.

Uniform Products. Because it is capable of handling a large volume of business, a farm marketing cooperative can market a more uniform product. Grading is a very important item in the marketing of farm products. When different grades of a commodity are delivered to a cooperative plant, the cooperative can, because of its large volume, separate or grade the product into several different grades. This makes the marketing of such products much easier than if several grades were all sold in one lot. Buyers know what consumers want, and are willing to pay more for the various grades, if separated into uniform lots. A farm commodity that lacks

uniformity always has to be sold at a discount, and the farmer who sells such products must bear the loss.

Bargaining Power. One of the big advantages derived from a cooperative marketing organization is bargaining power. In fact, some farm marketing cooperatives are formed for this one purpose alone. Some of the present-day milk pools are merely bargaining associations organized solely for the purpose of having a voice in the price for which they sell their milk. Obviously, it would be quite useless for an individual producer to protest against the price he was being paid for a certain commodity, but if this same individual producer joins with hundreds or thousands of other producers and protests against this price, his protest will be heard and respected by the buyers of such commodities.

Standardizing. The consumer does not like to buy a pig in a poke. He prefers to buy goods that have been standardized. In order that the producer can benefit from this preference on the part of the consumer, cooperatives generally strive to furnish their buyers with standardized products, as previously noted. If a farmer sells a grocer a case of eggs, the grocer will candle the eggs before he sells them to the consumer, because he knows that the consumer expects nothing but good eggs. Any questionable eggs will be put back in the farmer's egg case and he will be docked accordingly. Almost all farm products are graded or standardized, and it is much more profitable for the cooperative to grade the commodity just as quickly as it can, in order to save further marketing costs on the inferior part of the products. Also, standardized products find a quicker sale on the markets than do the "run-of-the-mill" farm products.

Advertising. Very few farmers ever attempt to advertise their products individually, unless they happen to be selling directly to the consumer. The great bulk of farmers produce commodities that are sold on the big city markets, either through farm cooperatives or through private middlemen. Small cooperatives seldom do much advertising, but when a group of cooperatives band together and advertise a particular product, such as the Land O' Lakes, the response is usually very gratifying. Another fine example of farm cooperative advertising is that being done by the citrus fruit growers of California. "Sun-Kist" oranges are known far and wide only because a group of orange growers decided to do some national advertising. If these same oranges had been marketed by private agencies, they would have been sold as just oranges, and no special market would have been developed for them.

Reducing Overhead Expenses. Farm marketing cooperatives usually handle large amounts of the farmers' products. The larger the volume of business, other things being equal the less overhead expense involved. A creamery that manufactures 1,000,000 pounds of butter a year has to have machinery, building labor, etc., but such a creamery would not have to have ten times the amount of machinery or labor that a smaller creamery manufacturing 100,000 pounds of butter would have to have. It is obvious from this example alone that a large cooperative can operate more efficiently than can a smaller cooperative. This saving of overhead expense from the operation of large-sized cooperatives is returned to the farmer as a saving in marketing expense.

Personal Satisfaction. No attempt has been made to list all of the advantages from marketing farm products through the cooperative plan. Only a few of the more important financial considerations have been noted. However, there are many non-financial benefits derived by farmers from marketing cooperatively. Most farmers who are members of one or more marketing organizations feel a sense of personal pride, confidence, and satisfaction in having the opportunity of being a part of a marketing organization.

A Way Of Life. It has been said that cooperative marketing is a way of life. Many friendships are formed through cooperatives among farmers that otherwise never would have been made. Cooperatives develop a feeling of mutual brotherhood and understanding between the producers that would not have existed otherwise. Some of these above named factors are especially valuable to the cooperative when, for one reason or another, dividends or prices are not up to expectations. It is then that the cooperative needs the full support of its membership.

GUIDE QUESTIONS FOR CHAPTER 12

1. Describe briefly what a farm marketing organization does for the farmer.
2. Explain the first step that should be taken by a group of farmers when organizing a cooperative marketing association.
3. How is the necessary capital raised for financing a marketing association?
4. What additional money do the members of a farm marketing organization receive that they would not when selling to a private marketing agency?
5. Are there any other advantages from cooperative marketing besides marketing profits?

6. Explain why a cooperative marketing association would want to encourage its members to improve the quality of the product?
7. Name one way by which a cooperative marketing association assists its members in producing better quality.
8. Why can farm commodities command higher prices when sold in large lots?
9. Explain how private middlemen reduce the income of the farmer on a commodity when compared to a cooperative marketing agency.
10. Explain the main difference between the objectives of the private marketing agency and the cooperative marketing agency.
11. Compare the share of the consumer's dollar by farmers in this country with that of Denmark.
12. Name one advantage in selling a farm commodity in large rather than in small lots.
13. Why are some so-called cooperative marketing associations merely price-bargaining organizations?
14. Explain why the consumer prefers to buy standardized or graded farm products.
15. Give an example showing that advertising is profitable for cooperative marketing organizations.
16. Explain why a large cooperative marketing association can return greater profits to its members than can a smaller association.
17. Name two non-financial benefits derived by the members of a cooperative marketing association.

CHAPTER 13

COOPERATIVE EDUCATION

The Need For Cooperative Education. Probably no worthwhile program is more misunderstood and condemned in America than the Cooperative Movement. When one mentions a cooperative activity in the presence of those who have been treated kindly by the prevailing private profit-making system of this country, he is often accused of being either a Communist or a Socialist, or both. Since we in America are accustomed to the private-profit system, it is only natural that the average person is unfamiliar with the advantages of the Cooperative Movement, and hence it is misunderstood. In order that either farm marketing or consumer cooperative societies function properly, the people of this country must become familiar with an opportunity for acquainting themselves with the true aims and purposes of the Cooperative Movement. History has shown us that some form of cooperative education has always been the forerunner of successful cooperative activity, whether it be a farm marketing or a consumer type of cooperative. Therefore, we are faced squarely with the problem of how cooperative education can be made available and effective for the masses.

Cooperation Defined. The various forms of cooperative societies are all voluntary organizations formed by the people themselves, owned by the people, and controlled and operated by either members or individuals delegated by the membership. The control is entirely within the membership. All members have the right to own private property. They join to own and control collectively certain economic commodities for the benefit of all who choose to embrace the opportunity. Color or creed make no difference in a cooperative. It is entirely democratic in its purposes as well as in its operation. It tends to re-distribute wealth into the hands of the many instead of the fortunate few. It holds no brief for any form of "ism". It is a form of controlled capitalism, instead of the present form of private-profit capitalism. It benefits the many, rather than the few. Surely this is typical of American Democracy, as our forefathers understood the term. Need the aims and purposes of the Cooperative Movement be defined further?

Educating The Membership. While there are many forms of cooperatives functioning at the present time in America, not all who claim

membership in these organizations fully understand the deeper underlying principles of the associations to which they belong. There exists a very urgent need for cooperative education within these organizations themselves. As has been mentioned in an earlier chapter, there are many farmers who are members of farm marketing associations who are only members because they receive more for their products than they would from private agencies. If these particular farm marketing cooperatives could be removed from the community for a period of six months, what would happen to the prices paid farmers for their commodities marketed through cooperation? They would soon find that in too many cases, the private agencies paid on a decent price level only because the farm cooperatives forced them to do so. The same is also true with many consumer cooperatives. Too often has the private retailer brought down the price of his commodity for the simple reason that some local consumer cooperative which handled the same article made him come down to a lower price. Members of cooperative societies should be informed more on the economic philosophy of the importance of their cooperative associations in the community, so that when private dealers attempt to lure them away from their own organization by price wars or other means, they can understand the real significance of such efforts, and turn a deaf ear to all such overtures.

Insuring The Stability Of Cooperatives. The best life insurance policy any cooperative organization can have is an educational department. Regardless of the nature of the cooperative, it should set aside a small percentage of its earnings for educational purposes. The Rochdale Pioneers saw the need for education, and made generous provisions from their net earnings for such a purpose. Practically all of the more successful cooperative associations today have provisions in their by-laws which stipulate that a certain percentage of their earnings be used to further the cooperative education of their members. One of the most satisfactory methods of planning an educational program in a cooperative is to elect an educational committee of not less than five members. After this committee has been elected, it should meet several times for the purpose of educating themselves in the Cooperative Movement. The Cooperative League, 167 West 12th St., New York City, has a splendid array of literature dealing with consumer cooperatives, while many public libraries have, or can obtain, very interesting material on farm cooperatives. Farm organizations, such as the Grange, Farmers' Union, or the Farm Bureau, as well as many of the other larger cooperative organizations, have lists of pamphlets and books dealing with both consumer and

farm marketing cooperatives. Obviously, an educational committee having a limited knowledge on the broader concepts of the benefits of cooperation would be of little help in trying to educate the rest of the membership on either consumer or marketing cooperatives. It should be a privilege and a pleasure for any member of an educational committee of a cooperative organization to enrich his own personal knowledge and experience on the Cooperative Movement.

Educational Bulletins. The many cooperative organizations in both this country and abroad use various methods of informing their membership on the essential matters pertaining to cooperatives. One of the most effective means of educating members, and at the same time stimulating interest, is by means of a weekly or monthly bulletin. This may be published in newspaper form, or even in simple double sheets. New developments in cooperative activities along the lines of that particular cooperative can be easily made known to the members by such a manner. Facts and figures showing progress of the cooperative can be constantly brought to their attention in this way. If a new book or pamphlet dealing with cooperation has just been published, this fact can be made known to the members by means of these bulletins. In fact, cooperative ventures entirely apart from the activities of any particular cooperative can well be given space in such a bulletin, so that the members will be alert and anxious to go beyond the bounds of their own cooperative, when the time is ripe, in order to further take advantage of cooperative methods. In other words, such a periodical publication will have a tendency of making the members of the organization cooperatively-minded, so that they will not only understand and sympathize with the efforts of their own cooperative, but will also be ready to foster many other cooperative activities as time progresses.

Regular Meetings. Cooperative associations are based on democracy. Regular meetings of the membership should be held for several reasons. Such meetings should be divided into a regular business section first, then followed by a program. Some like to enjoy a social hour following the program. Much of the success of these meetings depends upon the program committee. Talks along the lines of cooperation should predominate these programs. Interesting movies often afford a very fine program. The business portion of the meeting should be open to all who have criticisms or suggestions. There should be a time limit for speaking by the members, however, because it sometimes happens that one member wants to do all the talking, which is often rather trying to the other members. One of the best ways of keeping the members away from these meetings

is to allow one member to do 90 per cent of the talking. Only one who is thoroughly sold on the Cooperative Movement should be allowed to act as chairman at such meetings. A great deal of fellowship and loyalty can be created at well conducted meetings such as has been described.

The Study Club. One of the best methods of informing either members or non-members of a cooperative is by means of the study club, which has been mentioned on these pages many times. Special mention of the study club method was made in the chapter on Nova Scotia. Some cooperative associations in this country prepare small leaflets, or mimeographed sheets to serve as a basis for these study club discussions. Usually such groups meet once every two weeks around at the different homes. These groups should not be too large. Perhaps eight or ten members would be enough to form one group. Each group should elect its own leader. These meetings should be well organized, rather than allowed to degenerate into a round of wandering opinions. If the leader asks each member to give a short report on a certain topic for the next meeting, and a time limit be placed on each report, then the meeting will be conducted along orderly lines. However, sufficient time should be allowed for intelligent discussion of the topic presented. Many such study clubs provide for a short period of social activity or lunch following the regular meeting. In order to conduct these meetings efficiently, officers should be elected each year. Usually the first cooperative activity emanating from such study clubs is a credit union. This tends to give the members a feeling of confidence in their ability to cooperate, as well as to provide funds for starting some form of a cooperative at a later date. Probably no other factor is needed more in America today, than the formation of thousands of study clubs all over the country, in order to set the stage for a greater cooperative participation on the part of both town and country people, for tomorrow.

Education Of Non-Members. The formation of study clubs is just as effective a method for educating non-members of a cooperative as it is for the members themselves. However, the Cooperative Movement is entirely unknown to many people. Perhaps some form of periodical that would be available on news stands throughout the country would serve to acquaint the uninitiated with the general aspects of the movement. If debates on the Cooperative Movement could be conducted in our high schools and colleges, much of the needed impetus for cooperation would be realized. As has been stated in an earlier chapter, farm weeklies, as well as daily newspapers

should contribute more space dealing with cooperation, but private advertisers usually succeed in stifling any such form of cooperative publicity. Those who are desirous of obtaining cooperative literature should contact the Cooperative League of New York, or some large farm or consumer cooperative, who can supply the necessary literature.

GUIDE QUESTIONS FOR CHAPTER 13

1. Why is there a distinct need for cooperative education in America?
2. Define the meaning of cooperation.
3. How can a well educated membership serve to protect a cooperative association from becoming wrecked by private agencies?
4. Of what importance in a cooperative society is the educational committee?
5. Describe the efficient use of cooperative literature in educating the members of a cooperative association.
6. Outline a detailed program for a regular meeting of a cooperative association.
7. Describe how you would conduct a study club for one meeting.
8. What methods would you suggest for the cooperative education of non-members of cooperatives?

CHAPTER 14

RURAL ELECTRIFICATION ADMINISTRATION
"WHITE GOLD"

A Gift Of God. Electricity is a natural phenomenon that is the rightful heritage of all. Nature has blessed America with an abundance of natural power sources, waterfalls, and coal, oil and gas deposits, waiting to be harnessed by the various communities and to be gainfully employed for economic purposes of both farming and industry. The local, state and national governments of our country, however, have failed largely in embracing this heritage. Instead, these governments have granted private enterprise the right to build dams on these waterways for purposes of generating electrical energy, instead of doing it themselves for the benefit of all. These private utilities have exploited the consumers of electrical energy, a God-given servant, in the interest of private gain, rather than that of public service.

Rural Electrification. Until 1935, only 10 per cent of the farms in the United States were receiving electricity from high lines. Within four years after the government sponsored rural electrification, this number had doubled. The end is not yet in sight. New cooperatives are constantly being formed to take advantage of this great servant. Heretofore, when farmers wanted electricity, they often would be forced to build their own lines from the local power plant to their farms, and then give the line to the power company for the privilege of buying their energy from them. All this has been changed now, since the advent of the R.E.A. Farmers can now organize a cooperative and deal directly for their electrical energy through the medium of the local R.E.A.

The R.E.A. In 1935, the government established an emergency agency to provide rural electric lines for farmers. As a result of this initial experiment, the Norris-Rayburn rural electrification bill was passed in 1936, which established a permanent set-up, called the Rural Electrification Administration (R.E.A.). This is a ten-year program, allotting \$50,000,000 for the fiscal year ending June 30th, 1937, and further providing \$40,000,000 annually, for the next nine succeeding years, with an interest charge of 3 per cent. This money is not given to the cooperatives, as some people seem to think, but merely loaned to them for a period of 20 years. The

government, through the R.E.A., takes a mortgage on the line for security, so that farmers who join these electric cooperatives are not running any financial risks. In return, the farmer agrees to pay a certain monthly fee after he commences to use the electricity, most of which goes to pay for the expense of building the line. This monthly charge is maintained over a period of twenty years, when the line is finally paid for. Naturally, once the line has been paid for, the rates for electrical energy will be considerably lower than when part of the payment goes to pay for line costs.

Organizing R.E.A. Cooperatives. How can a farmer take advantage of the benefits offered by the R.E.A. program? This is only a natural question by those who do not yet enjoy rural electrification. The R.E.A. cooperatives are usually formed on the basis of county units. Farmers interested may confer with their county agricultural agent, or some other local agency interested in this plan. Farmers have the opportunity of signing up for membership in their local cooperative for this purpose. They have to agree to use the electricity when such is available, and a fixed charge must be paid monthly to cover both line costs and energy used. Before a farmer can use the electricity he must have his buildings wired. Each farmer who signs as a member is morally obligated to equip his buildings for the use of electricity just as soon as it is available to him, because his cooperative has to meet fixed line payments every year on the loan borrowed from the government for a period of twenty years, and these payments have to be made if the project is going to succeed.

R.E.A. Maintenance Costs. Most farmers want to know how much their electricity is going to cost them before they sign for membership in their local cooperative. The financial set-up for rural electrical cooperatives is much the same all over the country, and the following figures, taken from one cooperative in actual operation, will serve as a fair criterion. The average R.E.A. line costs about \$900 per mile to construct. There are about three farms on the average to every mile. This makes an average line investment on each farm of about \$300. Therefore, the payments are usually based on the following items: The principal and interest payments on each \$300 will call for about 6.7 per cent per year. Taxes on the line will average about 2 per cent. Maintenance of the line will call for another 2 per cent, while depreciation can be figured at about 1½ per cent. Adding these various percentage charges, we have roughly 12 per cent overhead charges on the \$300 line costs to each farmer. Twelve per cent of \$300 is \$36, which is a fair average of the annual overhead charges made by the R.E.A. electrical cooperatives.

Cost Of R.E.A. Energy. Most cooperatives have been successful in purchasing or manufacturing their own electricity at a cost not exceeding one cent per kilowatt-hour. True, some cooperatives have had to pay more, but relatively few. The minimum amount of energy paid for by the consumer is usually about 40 kilowatt-hours per month. This means that in one year, the farmer would pay for at least 480 kilowatt-hours. But there is usually a line leakage of about 20 per cent on the wires, so that, in reality, the cooperative would have to send out about 600 kilowatt-hours to provide the farmer with 480 kilowatt-hours. Therefore, the farmer's annual bill for electricity would be, if the cooperative charged one cent for each kilowatt-hour, the combined maintenance and energy costs, \$36 plus \$6, or \$42 per year. This amount would be divided into twelve monthly payments of \$3.50. When a farmer uses energy in excess of the 40 kilowatt-hour minimum, then he is charged for the extra amount each month. The above example is a fair average estimate of the plans used by the R.E.A. cooperatives in most parts of the country.

Legal Status Of The R.E.A. The R.E.A. is a national program. Because of its wide scope, many states have had to change their laws in order that the operations of this organization be legal. However, most states were quick to make the necessary legal changes on their respective state statutes in order that this program would not be hindered. Some states, however, still have laws upon their statute books which act as barriers to the progress of the R.E.A. Such states are opposed to consumer-owned lines. No less than 15 legal attacks have been made against the R.E.A. by privately owned utilities, but all of these attacks have failed to stop its progress. Each state R.E.A. organization maintains the services of a legal department to protect the various cooperatives within its borders from unjust treatment from private agencies.

Governmental Help For R.E.A. When a group of farmers first become interested in rural electrification, the R.E.A. headquarters at Washington affords this group the services of experts in putting the local cooperative on a sound basis. The R.E.A. first sends an experienced man into the locality to assure itself that the loan to the cooperative will be justified. It also helps the cooperative to locate good engineers, contractors, and sources of power. It advises the local directors of the cooperative regarding problems of management and operation, which aids them in avoiding the pitfalls so commonly experienced by beginners. It also assists the local cooperative in auditing its books, and is always ready to give sound advice regarding

the financial problems of the young cooperative. Besides this the R.E.A. engineers are constantly striving to cut down line costs per mile, without sacrificing quality. For example, before the R.E.A. entered the field of rural electrification, line costs averaged between \$1,500 and \$2,000 per mile. The R.E.A. has been able, by means of extensive research work, to cut this line cost to an average of \$900 per mile, and it is still working on plans that will probably cut even this average to a new low in the near future. Despite this remarkable slash in line costs, the quality of the lines has been improved rather than lowered.

Wiring The Farmstead. The problem of wiring the farm buildings with safety, but still at a reasonable cost, usually confronts the farmer who has joined his local R.E.A. cooperative. Here again the local headquarters of his R.E.A. cooperative may be of service. When a farmer is unable to pay cash for his wiring, the R.E.A. will loan him the money over a period of five years for either financing the cost of wiring, or purchasing electrical appliances. Many farmers who wanted the electricity, but who could not, at the moment, pay for the wiring, have adopted this plan. In some sections of the country, the following plan has been used successfully: The R.E.A. fieldman will group neighboring farms in lots of 10 or more. Near-by electrical contractors will be asked to make sealed bids on these group farms, for wiring. Later the bids are opened, and the successful bidder will then deliver the necessary wiring material to each farm and collect 20 per cent of the price of his bid for each job. The contractor also obtains a signed note and payment contract for the balance of the cost of wiring the farm from the farmer. When the job is finished, the contractor first has to obtain a certificate of inspection and approval from an authorized inspector, and also a statement from the farmer that he is satisfied with the job. After obtaining these credentials the contractor then presents them to the project manager, who pays him in full. The customer then pays the remaining cost for wiring in monthly installments over a five-year period.

R.E.A. Uses Modern Methods. Farmers need have no fear that the R.E.A. lines are poorly constructed. The corp of R.E.A. engineers have performed an engineering masterpiece in working out line construction for the farmer. There is a very rigid standard of design and materials to be used in the R.E.A. construction that is second to none. For example, after the engineers have sanctioned and laid out a project, the lines are first staked, holes dug, poles distributed, hardware, such as brackets, bolts, insulators, etc., are attached to poles before they are raised. The poles are then set,

and the wires strung. The transformers are next installed, then service drops, and finally the wires carrying the current from the high lines to the buildings are installed. A good sized crew is now able to construct three miles of line a day when this method of construction is followed.

Electricity Is A Farm Necessity. Electricity on the farm is regarded by many people as a necessity, rather than a luxury. A farm that has access to electricity possesses more value than one which is denied this advantage. Electricity is the means of making the farm home more attractive in many different ways. It increases the convenience for doing farm chores as well as performing many other jobs on the farm, such as pumping water, turning the cream separator, grinding feed, and countless other jobs. Farm women greatly appreciate the many little things that electricity can help them do in their every-day work in the home. The electric washing machine is just one such device for making life easier for farm women. The time, as well as the costs of operation, saved by the farm family in this comparatively recent form of cooperative activity seems to be a factor that can hardly be ignored.

GUIDE QUESTIONS FOR CHAPTER 14

1. Compare the use of our natural resources in America with those of other countries, in regard to the rights of the people.
2. Does a citizen of this country have any inherent rights regarding our natural resources? Explain.
3. What percentage of the farmers in this country were receiving electrical energy from high lines before the advent of the R.E.A.?
4. Explain the government plan of financing the general set-up of the R.E.A.
5. What becomes the obligation of the farmer who has signed as a member of the R.E.A., after the high line reaches his farm?
6. Explain how the R.E.A. determines the amount owed them each month by their patrons.
7. Enumerate some of the overhead costs of the R.E.A.
8. Have all states cooperated in helping to legalize the R.E.A.? Why?
9. What are some forms of assistance offered the local R.E.A. cooperatives by the government?
10. Explain the plan of group wiring of farm buildings which is sponsored by the government.
11. Can the R.E.A. crews install a high line as efficiently as the private utilities? Explain.
12. Do you regard electricity on the farm as a necessity or a luxury? State reasons for your answer.

CHAPTER 15

COOPERATION COMPARED

Cooperatives Often Misunderstood. Comparatively few people in America really understand the fundamental principles of the true cooperative, either marketing or purchasing. Because of this general lack of cooperative knowledge, many otherwise intelligent and well-meaning people have often been guilty of condemning a social institution which they would ordinarily support whole-heartedly. Before cooperative activities on a large scale can help bring order out of chaos in America, the real aims and purposes of the cooperatives must be made available to a much larger group of people than who now understand their real significance. Until this is done, sponsors for the Cooperative Movement will continue to bear such labels as Socialists, Communists, cranks, etc., hurled at them by the uninformed.

The Greatest Good For The Greatest Number. Any economic practice which promotes the greatest amount of good for the greatest number of people should meet with the unqualified endorsement of the American public. Such was the primary intent of genuine American democracy. Cooperative associations are designed to accomplish this Christian philosophy. In countries where cooperatives have existed for a reasonable length of time, this situation actually prevails. Several chapters in the earlier part of this book have been devoted to the achievements of cooperative buying and selling in England, Scandinavia, Finland, etc. Thus the benefits to be derived from cooperative activities is no idle dream. And the people of these countries, because of this wide participation in cooperative activities, enjoy far more financial security now than they ever dared to hope for before their cooperatives began to function. Such practices have proved beyond a doubt that they operate for the greatest good for the greatest number. What has been accomplished in these cooperatively minded countries for the general welfare of both farm and city families can also be accomplished in this country.

What Is Communism? Because some people who are opposed to cooperation like to confuse the issue and accuse the sponsors for the cooperatives of being Communists, Socialists, etc., an attempt will be made at this point to briefly define the policies of these other economic beliefs. The Communist believes that all property should

be owned collectively by the state. It does not permit of private ownership of property. Both the instruments of production and consumption are collectively owned under this fantastic regime. The Communist believes that each person should work according to his ability, and should receive goods according to his needs. The early American Indian tribes were followers of this practice, as well as a somewhat confused attempt in Russia today to follow out the doctrines of this policy. Obviously, we in America want no part of this impractical scheme of economic slavery. Americans hold dear the freedom to own private property, and the initiative that comes from private or voluntary cooperative ownership of property and enterprises.

Socialism. Socialism is a plan of living whereby private capital is abolished, and the ownership and control of production is vested in society as a whole, rather than in individuals, with the ultimate goal of more equal distribution of wealth to the workers. Socialism also advocates that both economic and occupational freedom will persist under this plan. In other words, the Socialists advocate the shift of power in the production of goods from the individual to society as a whole. This plan differs from Communism in that under Socialism each would be compensated according to his efforts, while under Communism one would be awarded goods according to his needs.

Fascism. The economic system whereby private property is retained by the people, but subjects the investment and management of capital to state control, is called Fascism. The more pronounced part of Fascism is its political aspect. Italy and Germany are the best examples of the present form of Fascism. The Fascist state exercises complete control over business enterprises, which often results in inefficiency, due to confusion and governmental red tape. Mussolini wiped out all cooperatives in Italy which dared to express themselves in a political manner.

Competition. The theory of competition sounds good to the consumer, but genuine competition does not always prevail in these days of large corporations and trusts. So-called competition does not always result in competitive prices. Present day competition usually results in many competitive wastes. For example, gas stations usually charge the same prices for the same grades of gasoline, unless there happens to be a temporary gas war. The real competition consists of trying to induce the consumer to buy gasoline at a particular gas station, not by means of a lower price, but by many subtle methods of advertising the special merits of some particular brand of gasoline. However, the consumer pays for this extravagant waste in

advertising. Dealers, under so-called methods of competition, will try to sell at the top level of the purchasing power of the consumer, and will maintain that price if they are successful in moving their merchandise at these high prices, because of the ignorance of disorganized consumers. These tremendous wastes will continue to occur as long as this form of competition is practised.

Monopoly. A monopoly is a business practice wherein there is virtually no competition. It is the control exercised over the supply of some economic commodity that will enable those in control to fix the price. There is very little genuine competition with a monopoly. Monopolies generally result from the power which comes from the concentration of large amounts of capital in the hands of a few people. Public utilities are usually classed as monopolies, such as electricity, gas, water, telephone, telegraph, and some forms of transportation. Franchises are given these private utilities to operate within a stated territory, with the guarantee, either expressed or implied, that no similar utility will compete against them in that particular area. Monopolies seldom spend much money on advertising, unless it is for selling merchandise used in connection with the particular service provided by the utility. Overhead expenses of monopolies are usually comparatively low. Monopolies are to be feared much more than the competitive plan. The main complaints against the monopolies have been that they (1) use unfair methods of competition, (2) cause high prices, (3) enormous profits are made by a few, and (4) they corrupt legislatures.

Governmental Regulation And Control. As has been previously stated, certain industries are regulated and controlled by the government, local, state or national. Such industries are noted under monopolies. Experience has shown that rates charged by these corporations are higher than those charged by a cooperative association or a municipally operated utility for the same services. Another fault often found with utilities regulated by the government is that the distribution costs are usually much higher than they should be.

Capitalism. Capitalism is an economic system in which capital is invested for gain. It has the rights of private property including the right to buy and to sell commodities. Capital needs labor, as well as managers to run the business. Capital must also have land and equipment. Obviously, the chief objective of Capitalism is profit; service to its patrons is of secondary consideration. The most objectionable point of Capitalism is that it tends to concentrate wealth. In the countries previously mentioned where the coopera-

tive system of economics prevail, there is very little concentration of wealth as compared to our own country.

Cooperation. Cooperation resembles Capitalism in numerous ways, such as the rights of property, buying and selling, its need for money, men, land and equipment. However, cooperation differs from Capitalism in certain respects, which are tremendously important. The main objective of cooperation is service—not profit. The cooperative system tends to distribute wealth by returning the savings made from operations to its patrons, rather than allowing these earnings to be concentrated in the hands of a few. Cooperation endeavors to make a more attractive price to the consumer than does the Capitalistic system. It also tends to improve the quality of the commodities handled, and thereby protects the public against inferior merchandise that so often floods our markets today.

Why Cooperation? The writer, as well as a host of other patrons of cooperation, has no quarrel with the middleman or any other agency engaged in a legitimate business. But, under our present method of doing business, both farmers and consumers in general are exploited far beyond the limits of reasonable profits by too many greedy private agencies, whether large or small corporations. This greed on the part of many of these private middlemen will continue to manifest itself in the form of further exploitation until the present business structure which allows for these excessive profits is changed to a system which will prohibit the exploitation of the masses. The most practicable method of effecting this change is through the formation of more cooperatives, both producer and consumer, if we are to profit from the past experiences of others. At least, this has been the only method so far devised by the hand of Man in our present form of civilization. Until a better method presents itself, the cooperative way will continue to blaze the trail.

GUIDE QUESTIONS FOR CHAPTER 15

1. Are the real aims and purposes of the Cooperative Movement really understood by the average person?
2. Why do cooperative associations bring the greatest good to the greatest number?
3. State the main points of Communism, as they differ from a democratic form of government.
4. Explain how Socialism differs from a democracy.
5. State the main points involved in the Fascist state.
6. Distinguish between genuine competition and the type of competition so common today.

7. Why do monopolies usually work against the interests of the consumer?
8. Does governmental control of private utilities assure low prices to the consumer?
9. Name four common needs of Capitalism.
10. What are the main differences between Cooperation and Capitalism?
11. Explain how Cooperation has corrected some of the evils of Capitalism.

CHAPTER 16

IN CONCLUSION

The Future Of Cooperation. What does the future offer for cooperative buying and selling in America? Will the trusts and monopolies continue to squeeze the consumer and producer tighter than ever, or will these two victims of concentrated wealth and power lessen this iron grip by further participation in cooperative activities? The answer to this all important question depends upon the future degree of lethargy and gullibility of the American public; both producers and consumers. Many instances have been cited on these pages whereby people of different countries have been successful in regaining for themselves the ownership and control of their own industries. They have bravely joined together and either forced these powerful agencies down to fair price levels, or put them entirely out of business. But this was accomplished only by a system of education, followed by intelligent action.

Farmers Need Cooperation. The farmer is the greatest consumer in the world. He not only spends for household needs, as does his city cousin, but also for commodities needed for properly operating his farm. Because producer cooperatives return him a larger share of the consumer's dollar, and because farm consumer cooperatives enable him to effect a substantial saving in his purchases, it is rather obvious that farmers will profit more from cooperative associations than will city workers who cooperate only in consumer needs. Space in a previous chapter has been devoted to explaining some reasons why more farmers have not embraced the advantages of cooperation. It would seem that a great deal of missionary work will yet have to be performed to properly inform the American farmer of the great possibilities that await him in the Cooperative Movement. Cooperative education must be the forerunner of cooperative activity here in America as it has been in all countries where cooperation has succeeded. Such education can be made available in a number of different ways previously explained in the chapter on cooperative education. In his forthcoming book, "The Farmer of Tomorrow" Rev. Urban Baer, of Cashton, Wis., emphasizes the need of farmer cooperation.

Producer Cooperatives Need A Vision. Too often have farmers joined together and marketed a primary commodity in the raw stage,

and then sat complacently back with a deep sigh of satisfaction. To be sure, so far, so good; but should farm cooperatives be permanently satisfied with the cooperative marketing of their raw products only? Should they not be concerned about the processing end of their primary products right up to the door of the retail merchant? We have far too many farm cooperatives that engage only in one or two steps of the marketing process. In order that the farmer shall participate in a larger share of the consumer's dollar, farm cooperatives in many instances must engage in more stages of the intricate system of marketing. For example, many dairy farmers join a cooperative milk pool for the purpose of shipping their fluid milk to large cities for consumption needs. They ship their milk in bulk either directly to the cities, or to bottling plants at country points near these cities. These farmers are often paid as low as or less than two cents per quart of milk, while the consumer pays as high as 12 cents per quart of bottled milk. Should not these milk pools be interested in securing for the producer a greater portion of the consumer's 12 cents? There are several examples scattered about the country where just this thing has been done by dairy cooperatives, with very gratifying results to the dairymen involved. Again, there are countless livestock shipping associations in America whereby farmers join together and market their livestock at the terminal city stockyards. These shipping associations have done excellent work in returning a higher price to the farmer for his stock than he formerly received from local buyers. But why stop here? Should not some of these livestock shipping associations commence to think in terms of processing this livestock themselves, rather than to just sell to the big packers? It must be remembered that in most all other countries, farmers own their slaughter houses cooperatively, and do their own processing. America and England are two notable exceptions to this rule. Yes, farm cooperatives must concern themselves about following through with their primary commodities so that they can gain for themselves some of the high marketing profits that are now going to the big private processors, instead.

Farm Cooperation Comparatively Slow. While there has been a marked gain in this country of farm cooperatives in the last decade, the surface has only been scratched. The need for both the farm producer and consumer type of cooperatives has never been greater. Farmers who are not members of either of these two forms of cooperatives are being exploited in too many instances whenever they buy or sell. Not only are they often forced to pay unwarranted high

prices for much of their goods, but too often the quality is of a low standard. One of the boasts of the cooperatives is that the quality of the goods handled is standardized, whereby the consumer knows exactly what he is buying. Many times farmers buy seeds, feeds, or fertilizers at exorbitantly high prices, while the quality is just ordinary, or even inferior. The farmer can not always buy such goods in confidence unless he buys through his own cooperative association. Certainly there are some honest private middlemen who deal in farm commodities, but there are also many who are either dishonest or incompetent. Farmers are not always sure whether their local private dealers are honest or efficient. Local dealers do not always have sufficient technical knowledge regarding their merchandise to recognize the true merit of the goods they handle, whether they are honest or not. There are many instances that could be cited wherein a feed or seed dealer sold his wares to farmers with only the word of the salesman as to the quality of the merchandise. Farmers are entitled to more protection in their purchases than such verbal "puffing."

Consumer Cooperatives. Whether farm or city family, there is a great need in our country for more consumer cooperatives. The gasoline cooperatives have opened the eyes of everyone as to the benefits of consumer cooperatives. Before the oil cooperatives started functioning, there was a large margin of profit in the gasoline business. Now, thanks to these numerous cooperatives, this fat margin has been reduced to normal. The result has been beneficial to both members and non-members of the cooperatives, because the general retail price level for all consumers of gasoline has been greatly reduced. But the point to keep in mind is this—whenever consumer cooperatives start selling a commodity, they invariably reduce the retail price if such a price provides for too great a profit for the retailer. Cooperatives believe in profits that are fair; not monopolistic. But the consumer cooperatives have not confined themselves to gasoline. In many parts of the country almost every conceivable commodity is now being sold on the cooperative basis. Essential services are, in many instances, being offered on the cooperative plan, such as health, hospitalization, burial, home-building, movies, insurance, laundry, legal advice, and countless other forms of services. Most cooperative authorities agree that a consumer cooperative should not organize with too few families as a nucleus. Shares are sold to provide the beginning capital. After a consumer cooperative is well under way, the practice of enlarging the number of commodities handled has often been followed. Many gasoline cooperatives are now selling

tires, batteries, accessories, anti-freeze solution, etc., whereas only gasoline and oil were sold at first.

Chains Versus Cooperatives. When cooperative stores are mentioned, almost invariably the matter of chain store competition is brought up. Can a cooperative store compete successfully with a chain store? Probably the best answer to this question is that it can, and does. Very few cooperative stores, in fact, have escaped chain store competition, but still the number of cooperative stores continues to increase. The profits made in running a cooperative store are returned periodically to the owners of the store, which consists of members of the association. These profits, or accumulated earnings, are usually spent in the same community in which they were earned. On the other hand, the profits realized by the chain store are generally sent to the company's headquarters in some large city, and go into the hands of a few select stockholders. The chain store does not have the interest of the community at heart by any means to the extent that the members of the cooperative store have. Also, past experiences have shown that in most cases, when quality of goods is concerned, the cooperative stores can quote prices just as low as the chains can. As the number of retail stores increases in a cooperative organization, it can buy its commodities in larger amounts, which usually means lower prices for the same grade of merchandise. Yes, the cooperative retail stores have certainly held their own against chain store competition, and every indication is that they will continue to do so.

Program For Consumer Cooperatives. What is the ultimate program for the consumer type of cooperative? Is it just to run a store? Fortunately not. Many of our larger consumer organizations are already emulating the example set by their European cousins. After a number of consumer stores have been organized, the next logical step is to enter the manufacturing business. Flour mills, canning factories, gasoline blending plants, coffee roasteries, bakeries, radios, mechanical refrigerators, washing machines and feeds of various kinds are but a few of the cooperative ventures already in progress in this country. Furthermore, these enterprises will continue to grow as the cooperatives become more firmly established. It will be recalled that the European consumer cooperatives have a very extensive program of expansion along this idea. The C.W.S. of England has a most pretentious expansion program; to mention one in particular. There is practically no limit to the amount of manufacturing that a cooperative wholesale can do to supply its retail outlets, once it has become firmly established.

And So To Work. The author has attempted to sketch a panoramic view of cooperation as it exists in the world today, so that the reader might see the cooperative picture as a whole. It is hoped that this humble word picture has not been made in vain. Whether it has or not will depend upon the reader's action and reaction concerning cooperatives in the future. If a cooperative society is to function in a locality, education is first necessary, then action. A cooperative association has never been known to organize itself; it must have aggressive action on the part of those most interested before it can even become a possibility. If the contents of these pages have aroused any enthusiasm on the part of the reader, then, in the words of the Master, "Go and do thou likewise."

GUIDE QUESTIONS FOR CHAPTER 16

1. Discuss the future possibilities of Cooperation in America.
2. Why do farmers need to cooperate even more than city people?
3. State the aims that should be the ultimate goal of producer cooperatives.
4. Explain how farmers are subject to exploitation by means of private agencies.
5. Why is there such an urgent need in our country today for more consumer cooperatives?
6. Can cooperative stores successfully compete with the chains?
7. What should be the ultimate aim of consumer cooperatives?
8. What is needed most for putting cooperative thinking into cooperative action?

**SEE APPENDIX
FOR A
PROPOSED PLAN OF
COOPERATIVE ACTION**

APPENDIX

A PLEA TO ADULT AMERICA

A Proposed Plan of Action

An Appeal To Reason. The greater share of American business is still being done through large private interests, despite the steady advances being made each year by cooperative efforts. "Private interests" in this connection includes the large combines in business who handle the products of the farm, as well as farm and general consumer needs. These large and powerful organizations are gradually stifling the independent private dealer, as well as having too large a voice in the matter of farm price determinations. Still, we in America have been far too indifferent to these powerful combines, and the influences that they exert upon our lives. Shall we continue to countenance this, or would it not be better for us to organize and conduct our own business enterprises by means of cooperative endeavor? This is the question that we must decide if we are going to shape our own destiny. History time and again has proved that when the wealth of the country is concentrated in the hands of the few, there has been an unbalanced economy, which has resulted in poverty, wars, and a general letdown on all fronts of human progress. Would it not be better to realize the situation now, and face the cruel truth, than wait until it is too late? The longer we submit to the present system, the harder it will be later on to regain ownership and control of our own economic affairs. To this end, the following proposed plan of action is submitted for the serious consideration of adult America, both city and urban:

- 1. Economic Education For Adults.** In studying the history of other countries which have ousted the trusts and regained ownership and control of their economic systems, the people first had to be taught the basic principles of economics. It would seem that such a plan would also be the first logical step for us to follow here in America. Comparatively few adults in this country have a broad viewpoint of the basic principles underlying our economic structure. Too often is the consumer interested only in the final price, regardless of the manner in which this price is determined, or the quality of the product. To assimilate proper economic information, adult America should go to school. Evening schools or study clubs can be used in teaching

these concepts. Evening schools are being held in many public schools in America, especially in the larger cities. A course in elementary economics could well be added to the curriculum. In the smaller towns, public school houses, as well as rural school buildings offer ideal centers for such education. Beyond this, study circles could be held in small groups in the different farm and city homes. Included in such courses should be an impartial discussion of the cooperative method of doing business as compared to the methods used by the big combines.

2. Sources Of Study Outlines. In order that these courses of study be uniform, authentic, impartial, and adaptable, it is suggested that a committee be appointed in each state by the state university, whereby representatives of labor, farm marketing cooperatives, farm consumer cooperatives, general consumer cooperatives, and private agencies compose the committee delegated to plan the course of study for each state. A representative of the state university could act as chairman of the committee. This committee would be called at the instance of the chairman to organize courses of study for the adults of the state. These outlines, accompanied by suitable references, could be mimeographed by the state university at cost and sent out to the various groups. School authorities in each school district could cooperate in sponsoring these classes. Besides this, county superintendents, county agricultural agents, and Smith-Hughes teachers of agriculture could lend their assistance in arranging for the conduct of such instruction. Cooperative organizations would find this an excellent program to sponsor. After the state units have been sufficiently organized, a national association could be effected in order to cement various state agencies, as well as for mutual help. Such a plan would tend to unify the ideals and purposes of the entire set-up.

3. Consumer Protection. Once the study classes or clubs have gotten well under way, the rest of the program for regaining our economic freedom would not be as difficult as it might seem. One of the first steps in this process might concern consumer protection. A worthwhile project would consist of insisting on uniform grades of commodities for the consumer. There is already some agitation for government grades of consumer goods. Under the present system, each private agency has its own particular brands, which are often meaningless to the average consumer. With uniform grading, the consumer could easily detect inferior quality. Moreover, if goods were labelled U. S. Grade No. 1, No. 2, etc., the purchaser would

know considerably more about what he was buying. Likewise, more explicit labelling of feeds, seeds, and fertilizers could be demanded by informed farmers, which would certainly be an improvement over the present hodge-podge that confuse so many farmers at present. Also "truth in advertising" could be made a reality, instead of a myth. Present day forms of radio, newspaper, and magazine advertising claims are far-fetched, to say the least. Many cooperative wholesales in America have already adopted a plan similar to the above for the benefit of their patrons.

4. Milk Control. Norway has demonstrated to the world how farm prices can be controlled in the matter of dairy products, such as butter, for example. Whether a similar program could be practiced in this, a much larger country, is problematical. There are different factors to be considered in America, such as the marketing of surplus animal and vegetable fats. However, there seems to be little cause for doubt that by means of cooperative efforts, our dairy products, as well as all other farm products, could be handled on a much larger scale than selling them to private agencies. In order that this could be accomplished, it becomes evident that the first step would be for state organization of the producers of each commodity, with a national body composed of representatives from each organization. For example, each state might have an organization of dairy farmers. This would obviously have to be subdivided into producers of consumption milk, and producers of production milk. The producers of consumption milk should aim to ultimately control the processing and distribution of their milk in the larger cities. Until they do, they must continue to be more or less at the mercy of the large private milk distributing agencies. As has been previously pointed out in these pages, dairymen are not receiving their fair share of the consumer's dollar under the prevailing system of milk distribution, excepting a few isolated cases where they own their own distributing plants.

5. Other Dairy Products. Butter and cheese are two other dairy products whereby the private agencies are taking away the profits from the producer. Producers of butterfat have lost heavily from the sale of margarine, despite the tax imposed upon the latter. If some form of the Norwegian plan could be practiced, whereby the margarine factories would be obliged to incorporate the surplus butterfat into their product, it would serve as an aid to the dairy farmer, and at the same time would not endanger the welfare of the cotton farmers of the South. Likewise, farmers hauling milk

to cheese factories are not getting their fair share of the consumer's dollar. Cheese factories should first of all, be cooperatively owned by the producers. A cheese sales agency should be the outgrowth of the combined farmer-owned cheese factories. By means of such an organization, farmers would control the distribution of their products as well as the manufacture. The consumer, under the present method of distribution, often pays from two to three times the price received by the factory for a pound of cheese, with the big margin of profit going to the distributors of the product, rather than to the producers.

6. Marketing Livestock. The cooperative marketing of meat products offers a challenge to the farmers of America. Following the broad course of study on the principles of marketing farm products by means of the aforementioned study groups, a start could be made in establishing cooperative slaughter houses in selected areas. Of course, competition from the big packing concerns would be keen at the start, but a well informed group of livestock producers would help materially in overcoming this competition. Livestock producers in other countries have regained control and ownership of their livestock industry by first learning how the private system functioned at their expense, and then going ahead and setting up their own plants. Furthermore, one often wonders why the big packers should be allowed to handle so many other farm products without either restriction or supervision. Not only meat products of all kinds, but eggs, poultry, butter, cheese, margarine, hides, wool, and countless other farm products are all first bottle-necked for profit by large concerns before being passed on to the consumer. These facts would provide interesting discussion material for a study club in farm economics.

7. Prices. It has often been said that the manufacturer sets his price on the articles he makes, while the farmer sells his product only after asking the question, "What will you give me?" Too often this is true. Another very excellent topic for discussion in a study group would be the matter of prices; how they are arrived at, what factors dominate the setting of prices, who sets them, and why. What is the spread between the cost of production and the retail price? Is the overhead excessive? Is the method of distribution faulty, and if so, how could it be rectified? These are questions that affect all of us. In times of war, has the big grocery concern a right to double the retail price of sugar within a week's time, especially when it has thousands of tons of sugar laid by in large warehouses? Should

not the government clamp down on such profiteering rackets, and expose their methods to the public? Only an informed public on price policies could interpret these price changes intelligently. How much longer will we go along before we acquaint ourselves with the price manipulations that are happening before our very eyes? The American consumer has the right to know the difference between a fair price and a profiteering price. There is no law that enables a dealer, or a group of dealers from hiding their costs of operations from the public if their prices yield them profits beyond reasonable limits. Certainly the consumer should be protected from having to pay excessive profits on essential commodities.

A Challenge. Space forbids discussion on all consumer commodities, as well as strictly farm necessities. The American farmer and consumer in general finds himself being exploited in too many instances by large financial combines of money and power. A visit to any state legislature or to our national Congress will soon convince one of the extent of lobbying being carried on in behalf of special interests. Everywhere there are professional lobbyists in our legislative halls trying by hook or crook to have laws enacted that will grant their clients special privileges at the expense of John Q. Public. Not until people arouse themselves sufficiently to shake off these powerful financial interests will we again see a more equitable distribution of wealth. Trusts, monopolies, and holding companies have so far managed to evade laws and regulations for the prevention of concentrated wealth and power. If these powerful combines can succeed in operating their huge enterprises at the expense of the American public, then it would appear that there is only one alternative, and that is to follow the same plan that many other countries have adopted to rid themselves of these parasites, and that is the cooperative way. Such a procedure would return to the people of our country the ownership and control of our basic commodities. Such action on the part of the people of America remains as a challenge to us to first study sound economic principles by means of study clubs, and then act cooperatively to win back our economic freedom.

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