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REPORT UPON CO-OPERATION
AND MARKETING

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Part I

Agricultural Co-Operation

JOHN F. SINCLAIR



MADISON, WIS.

DEMOCRAT PRINTING COMPANY, STATE PRINTER

1912

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Madison, Wis., March, 1912

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Madison, Wis., March, 1912

FOREWORD

The State Board of Public Affairs herewith presents the results of its investigation into coöperation and marketing. It was the intention of the legislature to seek means for the reduction of the cost of living and the betterment of the business side of farming at the same time; therefore, Mr. John Sinclair of the Legislative Reference Library of the Wisconsin Free Library Commission, an enthusiastic student and a trained investigator, undertook this investigation. Several other students coöperated with him. He went to Europe at his own expense and while there he studied the great coöperative movement which has long been in existence there, as well as the whole matter of marketing, having in mind the actual application to the state of Wisconsin. Previous to this attempt no thorough study leading to the construction of a state plan has been made in America. Mr. Sinclair has, therefore, broken new ground in this report, and has carefully laid the foundation for future constructive work along this line. After his return, his preliminary report convinced the Board that it had a great task before it—a task reaching over several years, and that if it was to be successful, the groundwork would have to be laid at once. Mr. Sinclair compiled in addition to the facts gleaned from his European experience, data relating to existing coöperative institutions or attempts at such and all possible material which could be arranged in a fairly compact report relating to Wisconsin and the United States in general.

Since the State Board of Public Affairs has gone into this investigation, country-wide attention has been called to the whole subject of coöperation and marketing in general. The great political parties have all taken up this subject; it is therefore of much pride to us that Wisconsin is again in the lead in the preparation of a report and plan which we trust will lead to further beneficent economic legislation.

The University of Wisconsin, on the recommendation of the State Board of Public Affairs, has also established a professorship for 1912-13, and has conducted investigations into marketing, the results of which will be presented later. Between the work of the Board and what the University is attempting to

do, this great field will soon receive adequate treatment and the farmers and consumers who are pioneering in this field will have access to knowledge and guidance of a practical nature. Mr. Sinclair's report strives not merely to give the results of the working out of the plan in other countries, but also adds warnings as to causes of lack of success wherever failure has occurred and recommendations as to how success may be won. He has also traveled about the state and lectured, consulting and lending his aid to farmers' organizations and in general making a close study of the situation in this state. Valuable assistance has also been rendered by the Library School of the Free Library Commission. Students of that school, without compensation, have compiled valuable lists of books or pamphlets upon each subject taken up in the report.

It is thought best at this time not to print the entire report, but to publish it in sections from time to time. The first section will be on purely agricultural coöperation. It is intended to follow this with a second one which will take up the question of coöperative credit. A third bulletin will take up the question of marketing of produce and markets in general. The fourth will take up the question of stores or distributive coöperation and it is hoped that there will be a fifth one which will take up many other forms of coöperation now existing and about which valuable information has been gathered.

Mr. Sinclair has put forth a constructive plan. It is the purpose of the Board, however, to add to this plan in its later report, so that some actual teaching of marketing and coöperative methods will be provided in the state, and that there will be some central exchange through which the constructive buyers can reach the coöperative sellers and coöperative producers.

No system, however well worked out, can be of real service unless hearty coöperation is given by the citizens of the state. The State Board of Public Affairs invites criticism and help from all citizens interested in this report so that it may be guided in its recommendations, and that it may submit from time to time, further plans which will lead to a real change in conditions and perhaps the establishment of real machinery which will do much to reduce useless waste and consequently to reduce the cost of living, so that the ideal of that great champion of coöperation, Sir Horace Plunkett, "Better farming, better business and better living," may become a reality in our state.

AGRICULTURAL CO-OPERATION

INTRODUCTION.

The purpose of this report is to show the farmers of Wisconsin the possibilities of agricultural coöperation and the dangers to be guarded against. To this end we have compiled information from a great variety of sources, the writer even going abroad to obtain first-hand knowledge.

A brief sketch of the coöperative movement in Denmark and Ireland is given because in those countries agricultural coöperation has reached its highest development. By observing their methods as well as carefully noting the causes of their failures, we are placing ourselves in the most favorable position to profit by their experience and to avoid the pitfalls into which they fell while they were groping in an unknown field.

The part of the report devoted to coöperation as we have it in Wisconsin to-day should receive the most careful study on the part of every farmer in the state. It will be seen that in few coöperative enterprises in the state have the principles of coöperation been well worked out. In view of what has been accomplished in the foreign countries mentioned above, this should serve as an extra stimulus to increased effort.

Coöperation is merely a phase of economic and social development and, as in every other evolutionary process, perfection is reached only after a series of trials where the best is retained and the worthless cast off. If we are keen enough to detect the fundamental principles and wise enough to utilize them when found, regardless of their source, the success of coöperation is assured. The movement will not develop properly without conscious effort of the most exacting character on the part of the farmers. Nor will an enterprise once established on the coöperative plan run along automatically when once established without the constant vigilance of the people concerned.

One of the significant characteristics of civilization is group activity as compared with individualism. The city has outstripped the country in the essential elements of modern civilization because of their thorough organization and group activity. The country must meet the requirements of modern civilization through group activity and the most obvious form of it is coöperation.

This report contains only a portion of the information we have collected on the subject. Four other reports dealing with different phases of the matter, viz: Coöperative Credit, Municipal Public Markets, Coöperative Distribution and Conclusions together with miscellaneous matters will appear later.

It is hoped that this series of reports will stimulate the people of Wisconsin generally and the farmers particularly in the various fields of coöperative endeavor and that the dangers pointed out and the recommendations offered will enable them to go ahead with some degree of assurance that they are not traveling on unfamiliar ground.

CHAPTER I

AGRICULTURAL CO-OPERATION

Denmark and Ireland show in a very striking manner what can be accomplished by means of agricultural coöperative associations. Both of these countries resorted to coöperation because of their dire poverty. The former is now one of the most prosperous countries of Europe; the latter is growing in prosperity as the coöperative spirit develops. We shall, therefore, give the history of the coöperative movement in these countries because we are convinced through extensive observations and reading that Wisconsin farmers can learn more about agricultural coöperation from the experience of the Danes and the Irish than from any other source.

The goal to be reached by coöperation among farmers is to make the rural districts a better place in which to live. Denmark and Ireland illustrate in a concrete and time-tested way what can be done to this end. The story of their achievements under the most adverse conditions can but arouse our admiration for them and stimulate us to do as well or even better than they have done.

DENMARK

Denmark is about one-fourth the size of Wisconsin. Much of it was formerly a bleak waste of sand-dune. Only the eastern part of the country and the neighboring islands were considered fit for agriculture. In addition to its poverty in natural resources, the country was further impoverished by the Napoleonic Wars in the early part of the 19th century. In the second half of the nineteenth century Schleswig-Holstein was taken by the Germans. Practically all of its commerce was gone. The peasant farmers were in a most pitiful condition. Yet, to-day, less than a century later, this same Denmark is, in proportion to its population, the wealthiest country in Europe.

Denmark is essentially an agricultural country. It has an area of about 10,000,000 acres or about the size of Wisconsin's undeveloped area and a population somewhat larger than that of Wisconsin. More than \$90,000,000 worth of butter, eggs and meats are exported by the farmers of Denmark annually. There is little poverty in Denmark. In 1906 the Danes had \$208,000,000 in savings banks. Eighty-nine families out of every hundred own their own farms and houses. This small amount of tenancy is due to the fact that land holdings can be easily acquired.

HOW DENMARK ACHIEVED HER SUCCESS

First of all, much credit for Danish prosperity must be given to their system of education. This includes the long-term elementary schools, high schools, circulating schools from the agricultural colleges and experiment stations, technical schools, traveling experts, school and state bulletins, folk fests (farmers' clubs), meetings to discuss life's problems and business, educational camp meetings and the University of Copenhagen. Fay, in his graphic work, "Coöperation at Home and Abroad", puts this factor first when he says: "Education, general and technical, homogeneity of interest, occupying ownership as distinguished from absentee ownership, production for export in bulk are the causes underlying the aptitudes of the Danes for coöperation." No one appreciates the value of an education more than the Dane. He regards ignorance as a "blasting, blistering, withering curse" that makes for backwardness and stagnation.

There are now seventy high schools in Denmark. They were conceived by Bishop Grundtvig, who spent years to bring about their adoption and extension. The aim of Grundtvig and his successors has been to arouse in the minds of the young students a desire for knowledge so intense that they will first enter one of the agricultural colleges, of which there are twenty-nine, and later enter the great University of Copenhagen.

In the high schools four types of teachers are to be found. First, that patriotic and sympathetic individual, equally familiar with Danish traditions and history, who is thoroughly in earnest and eager to pass his knowledge on. Next is the man of letters, a master of his mother tongue, as well as versed

in the writings of the past that express the national ideal. The third type is a specialist in all that concerns his country's industries and their business methods. The fourth must be a specialist in national government organization and its legal system.

The young people are very enthusiastic about these schools. Even the old people—gray-haired men and women—attend them for a week's camp meeting and listen to lectures on Japan, Martin Luther, Wagner's operas, the Republic of China, Lloyd George and English social life—on anything, in fact, that will instruct the mind and quicken the imagination. After completing the high school and the agricultural college, the student enters the University of Copenhagen. This, with the agricultural colleges, has an enrollment of about 30,000. At the University the student comes to understand the complexity of modern business, and to regard agriculture not only as a science of production but as a system of distribution. He finds that the farmers' business may include the marketing of crops as well as the growing of them and that coöperative marketing is as essential as coöperative production. Having finished these agricultural colleges, Danish students are well equipped to deal intelligently with the problems they will meet.

Unlike the people of other countries, the Danes do not cease to be students after they leave college. They never stop learning. Agricultural bulletins are eagerly read. Farmers' organizations meet and discuss local and national questions.

LAND TENURE

The success of rural coöperation depends in a very large measure upon the terms and conditions of land tenure. Coöperation can not well succeed in a country where land tenancy predominates. Denmark, however, has eliminated this barrier by means of her land legislation of 1899, 1904, and 1909. This legislation provides for the acquisition of land upon 50-year loans at four per cent. At this rate, a laborer who has one-tenth the purchase price of a parcel of land can borrow the other nine-tenths on that margin of security, either from a state bank or from one of the 536 coöperative savings banks. These small payments are spread over a long period, and therefore, include more than interest for the use of the capital.

Danish money-market conditions are such that at this rate (4%) not only are interest demands satisfied, but a sinking fund set aside which gradually repays the principal of the debt. This plan gave the peasants the desired opportunity and the splendid response has proved that the founders did not miscalculate.

There are approximately two hundred forty thousand farms in Denmark, averaging a little over forty acres each. Of these two hundred forty thousand farms, sixty-eight thousand contain less than one and one-half acres; sixty-five thousand are from one and one-half to thirteen and one-half acres; forty-six thousand run from thirteen and one-half to forty acres; and sixty-one thousand vary from forty to one hundred and fifty acres.

The ratio of independent owners to all farm occupiers has, as a result of these land laws, greatly increased. The result of the Danish system of education and this large percentage of independent farmers has been a highly perfected system of coöperation. The small farmer realized two things clearly: (1) he must not only make his land produce abundantly by skillful intensive tillage, but (2) he must strive to realize the highest net income possible from his product. The system of coöperative selling and coöperative buying as against individual buying and selling was adopted to bring about this second desired end.

It was not without much doubting and shaking of heads, however, that these ideas gained headway. When the question of establishing coöperative dairies arose, the older farmers were sure that all who tried it would come to grief. They said the system would check personal initiative in a "dead level of uniformity", hinder improvements in processes, and financially penalize the more energetic and skilled members for the benefit of the backward and stupid.

Experience has proven that these fears were not well grounded. The various sizes of farms—from $1\frac{1}{2}$ to 150 acres, not including a few large estates—show conclusively that property is by no means so evenly distributed in Denmark as to destroy personal initiative. Coöperation does not conduce to a "dead level of uniformity", but on the contrary it is constantly elevating the lower classes to a higher plane of economic well-being. It has inspired hope and optimism in thousands of peas-

ants' hearts. They are proud to own the land upon which they live and it can hardly be said that a system that so greatly helps farmers to become owners of their homesteads will destroy personal initiative. The Danes work together that they may prosper individually. The effectiveness of each man's effort as a producer is increased when combined with others; savings result when men group together for the purpose of buying and profits result from combined selling. Thus instead of uniformity of a deadening sort we find that uniformity exists in Denmark only to the extent that nearly all own their homes. Instead of destroying personal initiative, we find that only that phase has been destroyed which in other countries manifests itself in the pernicious practice of one man preying upon another in an epidemic of individualism; and instead of retarding the introduction of modern equipments for carrying on industry, the coöperators of Denmark have greatly facilitated them.

CO-OPERATIVE CREAMERIES.

Agricultural coöperation in Denmark began in 1882 with the coöperative creamery at Olgod, West Jutland. The movement spread rapidly. In 1908 there were, 1,101 coöperative creameries handling practically all the milk in the country.

In organizing a coöperative creamery in Denmark each member enters into a contract to supply all the product of his herd to the society for a fixed period, usually ten to fifteen years. All the capital is procured by raising a loan on unlimited liability. As a rule, there is no reserve fund but the loan is paid out of *net profits* during the period for which all contracts are drawn. The general policy is controlled by the members, each having one vote and by an executive committee elected at this meeting. The creamery is managed by a competent butter maker appointed by this committee.

Each member is paid at stated intervals for the butter fat he has furnished. He receives for his product not the market price at the time of payment but the lowest price which had prevailed during the period. Accordingly a profit accumulates which is divided among the farmers at the end of the year in proportion to the amount of butter fat furnished. The skimmed milk returned to members is charged against them at a fixed price sufficient to cover all working expenses.

The coöperative creameries dispense with the middlemen and dispose of their produce themselves. For this purpose butter export associations have been formed. An attempt is made to maintain a high quality of output. They are conducted on a sound commercial basis and their managers often draw high salaries. As early as 1908 the turnover of the six export associations then established amounted to over forty million dollars. At the present time this little nation ships about one million dollars worth of butter to England every week.

CO-OPERATIVE BACON CURING SOCIETIES.

The Danish pork producers have been even more tardy than the butter makers, about organizing coöperatively. The first coöperative bacon factory was launched in 1885. The members of the bacon factories, like members of creamery associations, contract to supply the society for a fixed period, generally ten years. They procure the necessary capital by raising a loan on unlimited liability.

The method of raising loan-capital on unlimited liability, the method of gradually converting it into society-owned capital by reserving a sinking fund to pay off the debt when the original contracts terminate, and the method of distribution of the remainder of the net profits among the members are the same as in the dairy products industry. The basis of distributing dividends in these associations is the number of hogs sent in.

In 1910 there were thirty-four coöperative bacon factories with a total membership of about 93,000 farmers. In 1908 more than \$1,545,000 worth of hogs were slaughtered to supply the rapidly growing trade.

CO-OPERATIVE EGG EXPORT SOCIETIES.

The Danish Coöperative Egg Export Society was organized in 1895. The purpose of this organization is to standardize the output and bring about greater stability in prices. The central society is made up of a large number of local associations each of which contains at least ten members.

Each producer must stamp the eggs with his own number and that of the group to which he belongs so that it is possible to ascertain exactly who supplied each egg. The farmer who sends in a bad egg is fined. The eggs are then sent to packing centers,

whence they are shipped according to a fixed price determined a week in advance by the managing committee.

Although not twenty years old the Danish Egg Export Society consists of 550 groups and did a business, in 1908, of more than \$6,600,000. Danish eggs bring fancy prices because they are always fresh, well sorted, well packed, and guaranteed.

COW-TESTING ASSOCIATIONS.

No one factor has been more potent in giving Denmark her supremacy in the dairy industry than have the cow-testing associations. The movement began in 1892, when State Counselor B. Boggild, at a meeting of the Kildebund Creamery patrons in July of that year, explained how records of the individual cows could be obtained. The result was that fourteen farmers agreed to weigh the milk from each cow and send samples of it to the creamery. The creamery manager determined its richness by the Fjord centrifugal cream tester and published the record of the milk and butter yield from each cow, as well as the feed consumed. Shortly thereafter, and as a result of this, these men who had kept records formed the Kildebund Bull Association, with the object of improving their herds.

Another State Counselor, Frederick Hansen, a dairy expert employed by the government, and the owner of a dairy farm, had for several years studied the richness of the milk of individual cows by occasional testing and had been weeding from his herd the animals which gave poor milk. His neighbors, who sent their milk to the same creamery, noticed the increase in richness of the milk from his herd, and began to inquire into the cause. When sufficient interest had developed it was suggested that an association be formed for the purpose of testing the milk of individual cows, and the economy of their production, so that each member of this association might have the same benefits of Mr. Hansen's investigations.

A meeting was called for this purpose, and the first co-operative cow-testing association was organized. A dairy expert was employed to examine the milk. Active operations began May 1, 1895, with 13 members, and so satisfactory have been the results that the association now numbers twenty-four members owning 522 cows, and employs two men as cow testers. Five hundred thirty cow-testing associations had been organized up to the year 1909, in this progressive little country.

Reports from Denmark show that the average butter production per cow in 1908 was 224 pounds. This average is actually twice as much as it was in 1884.

The movement has not stopped with Denmark. The first association in Germany was organized in 1897, and in 1909 there were 207 such organizations. In Sweden, the number has increased from one in 1898 to 662 in 1909. Norway, Finland, Holland, Russia, and Scotland have quickly followed Denmark's lead. Increased prosperity has resulted wherever these associations are in operation.

WHOLESALE PURCHASING.

This sketch of Danish coöperation would not be complete without mentioning their extensive system of buying at wholesale. This business, conducted through a great central wholesale agency, amounted, in 1908, to \$17,500,000. The commodities so handled include seeds, fertilizers, machinery and, in fact, every necessity for the operation and upkeep of the farm.

IRELAND.

Ireland was at one time the leading dairy region of the world. Irish butter commanded the highest price in English markets where most of the surplus was sold. Two causes contributed to her loss of supremacy in the dairy industry. In the first place, other countries, especially Denmark, had improved the quality of their butter and secondly they could sell it for a lower price than the Irish because of their improved method of production. This of course destroyed the market for Irish butter in England. The situation became very serious, for it was evident that home-made butter could not compete with the factory made product. Privately owned creameries were established and offered flattering prices for milk until the farmers had abandoned home churning. They then gradually lowered the price until the farmers were no better off than when they churned their butter at home. An effective combination seems to have existed among these privately owned creameries.

This state of affairs finally became intolerable. The farmers decided to group together and own their own creamery. They formed joint-stock companies, but no sooner had they started operations on the joint-stock plan when trouble arose among themselves regarding the distribution of their income. The

joint owners of the creamery divided into two opposing factions the one favoring a high return on capital, the other a high purchase price for milk. The result of these conflicting interests was that the joint-stock companies collapsed because, as Sir Horace Plunkett says, "They didn't know either the spirit or working of coöperation. They adopted the townsman's form of organization, which is wholly unsuited to the farmer's industry."

Meanwhile the individually owned creameries were taking a new lease of life because of the farmers' inability to distribute their earnings peacefully when they had them right in hand. The farmers could not coöperate so long as there was a conflict of interest within their own ranks. With a fall of almost 50% in the price of homemade butter, it was suicidal to churn their own cream. Rather than go back to the old creameries some farmers were actually abandoning dairying and going into the production of dry cattle. Others were leaving the homesteads for the "new world" or the glamour of the fast growing city. The outlook had never been more discouraging in Denmark than it was at this stage in Ireland.

Two men of much ability and sincerity now came forward to help the poor farmers out of their troubles. These men were Mr. R. A. Anderson and Sir Horace Plunkett—a peasant and a nobleman. Both believed that a wholesome and contented rural life is essential to a country's prosperity. To make country life attractive was to them the first and foremost problem of twentieth century civilization.

These men did not seek new ideas or principles but adopted the system of coöperation already worked out in other countries, notably in Denmark. We shall dwell on the obstacles they have met and the way they have dealt with them, because although peculiarly stubborn in other lands, these same obstacles must be reckoned with right here in Wisconsin.

The first obstacle to be met was the opposition of all those whose source of personal income was menaced by a change in the economic system. This group included the country storekeepers, in places where coöperation in purchasing was advocated, and the independent creameries in places where coöperative creameries were advocated. Some of these who openly opposed the movement declared that coöperation was an infringement upon "vested rights," others tried to belittle the whole idea, while still

others declared that it would bring disaster upon the country. As is so often the case, the vested rights element took refuge in their old plea for inaction, preaching that "the time is not ripe" and "the country is not ready" and meanwhile pulling what wires they could to make that view seem true.

Obstacles were only a challenge to Anderson and Plunkett. They opened their campaign in 1889 in spite of the resentment of professional politicians and religious teachers and the skepticism of the rank and file of farmers themselves. They have continued their campaign ever since, despite the class war between landlords and tenants. To show with what persistence they faced the heavy odds against them it may be noted that fifty meetings were held before the first coöperative creamery was started and that in the first five years of this work only thirty-three were organized.

The experience gained in this interval proved the need for some central organization to systematize the work not only of founding new societies but of helping those already started with practical counsel and advice. So in April, 1894, at a large public meeting in Dublin, the Irish Agricultural Organization Society was formed to meet this need, as well as to furnish technical information not as yet adequately supplied by the government schools.

GOVERNMENTAL AID TO CO-OPERATION

It is doubtful if coöperation could have been carried on to any considerable extent by purely voluntary activity, even with an efficient central organization such as the Irish Agricultural Organization Society. Two reforms were necessary before Ireland could be placed upon a sound economic basis. Neither of these reforms could be brought about except by governmental action and aid. The first was adequate educational facilities and the second more favorable conditions of land tenure.

REPORT OF THE RECESS COMMITTEE

The first of these needs was emphasized fully fifteen years ago. In 1896, through Plunkett's influence a nonpartisan committee of Parliament was appointed to investigate and report on conditions in those countries competing with Irish produce. The main problem was how large a part state aid was playing elsewhere in the success of coöperation. Eight countries were studied and the findings embodied in a memorable report. It

was discovered that agricultural education in each country was in advance of the Irish system. Foreign governments had not only organized departments for agricultural education but they were supporting other work in aid of agriculture, which they deemed could be more advantageously carried on by the state than by private effort.

The result of this report was the establishment in 1899 of a department of Agriculture and Technical Instruction for Ireland.

LAND TENURE

For many centuries the greatest scourge in Ireland has been the ownership of Irish land by men who live in England. The rents charged were exorbitant, the policy of the landlords having always been to exact "all the traffic will bear." No amelioration of the peasant's conditions could possibly come about so long as insatiable landlords had it in their power to extract from the peasant all but a bare existence. It is against these tremendous odds that coöperation has for nearly a generation been battling.

It cannot be said that the Irish people did not desire to own land. The following statistics show how tenaciously they have clung to the soil even under the most unfavorable conditions. The total tillable area of the island is a little over twenty million acres, with a population, in 1901, of about four and a half millions, comprising some 910,000 families. As almost 550,000 of these families lived by farming, and as much of the available area is very poor land, it is not surprising that the areas occupied were in round numbers as follows:

Holdings under five acres in extent	147,000
Holdings between five and fifteen acres	153,000
Holdings between fifteen and thirty acres	136,000
Holdings over thirty acres	166,000

But, in addition to this congestion and pressure of population, there is the further fact that many landlords have moved from the country and have not realized the bitter trials of the ténant class in attempting to meet high rents and make a respectable living. Governmental interference was necessary.

Obviously, in this trying situation, the question has been how to shut off, with the least opposition, these increasing

leakages of rent. Some have thought the best policy would be to fix, by governmental authority, an arbitrary maximum rental for each particular plot, and in fact legislation has been passed for this purpose.

But the greater reliance seems to be placed upon the plan of buying out the landlords rather than by establishing a maximum limit to their rapacity. The worth of this plan all depends, of course, on the amount paid the landlord for liberation; if the interest on this valuation equals or approaches the highest amount he has ever been able to extort as an annual rental, the transaction is obviously only the substitution of one oppression for another, whether in the name of interest or rent. But this is not the intent of the Land Purchase Acts passed in 1903 and 1906. By these acts absentee owners are forced to sell to tenants providing the purchase amount asked by the landlord will, at $3\frac{1}{2}\%$, make a lower amount in interest than the rental charged. In other words, the Estates Commissioners, who have this matter in hand and who are appointed by the Board of Agriculture and Industries, are required to make an advance in all cases where the total yearly payment of the tenant as interest amounts to from 10% to 40% less than the rent. The judicial rent of the landlord is likewise fixed by the Estates Commissioner and is arbitrary.

The state loans the total amount needed by the tenants on the advice of the Estates Commissioner, and charges $2\frac{3}{4}\%$ interest to the farmer and $\frac{1}{2}\%$ additional, which is used to create a sinking fund, which pays for the estate in $68\frac{1}{2}$ years. That a great agrarian movement is on may be seen when we realize that in five years from 1903 to 1908, the total sale of lands from landlord to tenant has been \$385,000,000 as against \$115,000,000 from 1870 to 1903, a period of thirty years. Up to 1903, 75,466 loans, with a total transfer of over 2,000,000 acres, were recorded. It is safe to say that during the past decade six millions of acres more have been purchased by the government from the landlords and transferred back to the tenants. By 1920 it is expected that most of the land will have been so transferred.

SUCCESS OF CO-OPERATION IN IRELAND

Some may judge the measure of success of the Agricultural Organization Society by the fact that there are now more than

400 coöperative creameries on the little island. The prosperity and optimism, however, which these have brought back into many lives have only been possible through the growth of a spirit of mutual respect and good will, which is perhaps the greatest gain of all.

Mr. Anderson's comment is given in part to show how highly the men at the head value the optimism that has resulted from the coöperative movement.

"The wisdom of this course (ruling out factional issues) at once became apparent. Leading men of divers politics and religious persuasions joined the society and were elected upon the committee; and it is a noteworthy fact that up to the present time, although the one hundred thousand farmers who compose our movement are for the great majority Roman Catholics and Nationalists, the representation on the committee is about evenly divided between Catholics and Protestants, Nationalist and Unionist members. The one qualification insisted upon is that the person elected shall be a worthy representative of the coöperative movement.

"This rigid exclusion of political and sectarian questions has created between men who before never exchanged a friendly word—simply because a common platform did not exist—firm and enduring friendships, based first on mutual toleration in the advancement of the common object and later on, the surest of all foundations, mutual esteem and appreciation. Our coöperative movement in Ireland has broken down many of the prejudices and softened much of the asperity which political and religious differences had fostered; it is slowly but surely uniting the people of our island and fitting them by its discipline and by the exercise of brotherly qualities for a national existence."

To show what has been accomplished in the face of difficulties and as an indication of the growth that may be looked for in the future, Mr. Plunkett recently published in the *London Times* a resumé of the first twenty-two years of Irish coöperation. Among other things, it shows a total business of \$125,000,000 in that time by the various agencies and a turnover of 1911 of nearly \$15,000,000. This was distributed among some 900 rural societies with a membership of about 90,000.

And despite the number of members and the magnitude of the enterprise the commercial failures have been remarkably few. The building up of this promising system has not been without its burden of expense; among other expenses being those incurred in an unceasing campaign of education and organization to the financing of which the farmers and their friends have responded loyally. Of the \$665,000 raised they have contributed three-fourths, the other quarter being secured from the government.

Certainly, considering the obstacles already mentioned, this is a most encouraging record, a victory worth while for its own sake even though only the beginning of greater things. And if such can be won under the conditions that prevailed in Ireland, what may not be done in democratic, enlightened Wisconsin? It is a task for big, devoted men here as elsewhere, but who will say that such men are not to be found among us?

And now, with this glance at the history of the movement, let us look into the methods adopted in the various enterprises so far organized in Ireland. For the sake of brevity and to avoid undue repetition we may compare them with the Danish methods already outlined at length, and be content for the most part to point out the differences. The first and most important industry is dairying.

DAIRYING

The Irish creameries, like the Danish, are financed at the start from two sources, viz: capital belonging to the members at the time of organization and capital borrowed from outsiders either the regular banks or the coöperative credit banks, of which there are now 300 scattered over the country. But the borrowed part of this capital is, in Ireland, the sum of a number of small loans to the members as individuals instead of one large loan on their joint liability. For the capital turned in, whatever its source, the company issues stock of a corresponding par value, each man's subscription usually being roughly proportional to the number of cows he has. A fixed rate of 5% is paid on this stock, giving a 1% margin over the present 4% rate at which members with good credit can borrow. After making the usual deductions from gross income, for current expenses and reserves for depreciation, the annual 5% interest, and the contingency fund, the balance of net income is

distributed among the members in proportion to the amount of butter fat contributed by each. There is thus no need of putting an arbitrary weekly value on the fat and during an annual accrued surplus, as the Danes do. Liability limited to the par value of the stock and management by a committee elected by the "one man, one vote" method are features already familiar.

These coöperative creameries are now well established. Of the total output of exported Irish butter, valued at about \$20,000,000 yearly, the coöperative creameries produce about one-half. Not only are they equipped with the most up-to-date machinery, but they are in a position to enforce, and do enforce, contracts that members shall bring them their whole output.

In some respects they are still far behind the Danes. In the first place, they have not, as we in Wisconsin have not, gone into winter dairying as they should. Whereas in Denmark the production is so continuous and regular that winter receipts are but slightly lower than the yearly average, in Ireland the butter-making season is only four to five months long. The Agricultural Organization Society is now making a determined campaign to alter this situation. In the second place, there are numerous unprofitable individual cows in the Irish herds. Once a thorough-going system of cow-testing is adopted, it will make each cow render an account for the food she consumes and will tend ultimately to eliminate the unprofitable animals. This, with winter dairying, will give the Irish herds a better average than the present one of only about 65% of the Danish average, the Irish cows averaging 450 gallons and the Danish cows 700 gallons of milk per year. Finally there is room for much more coöperation between the various societies. This should work in two ways; by establishing and enforcing a more uniform quality of butter, and by establishing and enforcing a more uniform and centrally directed policy of marketing. Steps have already been taken to bring these about.

POULTRY-PRODUCE SELLING

A recent activity of the Agricultural Organization Society has been the establishment of poultry products associations, patterned entirely after the Danish system already described. This is, of course, about the simplest and easiest form of a co-

öperative enterprise to establish, as the outlay of invested capital is small, the returns prompt and continuous and the product, at least the eggs, readily standardized. The eggs, in fact, are not only stamped, sorted and packed as by the Danes, but the producers are paid for them almost entirely by weight instead of by number.

This is doubtless the reason why the value of the exports handled coöperatively in the two industries is about equal, although the poultry produce is of much less value than dairy produce. The poultry and eggs thus handled are sold in the British market by a central salesmanager who receives a small commission.

IRISH AGRICULTURAL WHOLESALE SOCIETY

The Irish have taken a suggestion from the Danes in still another field. Before the days of coöperation such important supplies as seeds, fertilizers and machinery were bought through dealers, who were not able, and generally not of a disposition, to test the quality of the goods nor to buy in such quantities as to secure the most favorable price. They also encouraged the pernicious system of long-time credit and charged excessively for the risk involved.

The Irish Agricultural Wholesale Society is changing all this. It is a federation of numerous local purchasing societies, and is able to secure very favorable rates because of the volume of its business. With its assured and steady purchasing power, it has been able to pay all expenses and effect from 25% to 40% savings to the farmers on fertilizers.

Almost equally important is the fact that it has improved quality while it has lowered prices. For instance, all the seeds it handles are now guaranteed for purity and germination and with all its artificial manures goes a certified analysis of their contents. All kinds of machines not purchased outright by individuals, are sold to the local societies to be hired out to such members as do not need the exclusive use of such an implement. Finally, it has agitated in season and out, for cash dealings between the local societies and their members.

As the local associations must still do some credit business, the central society must itself extend them credit. Hence it is necessary for the central society to get from some outside source

working capital to use when it does not itself get credit from the manufacturers.

This is raised partly by the sale of its own preferred stock and partly by loans—some advanced by the local societies out of surpluses held back for contingencies. Its own "wholesale" prices are made high enough so as to leave some margin after paying expenses, interest and dividends on preferred stock. Thus the borrowed capital is gradually added to and displaced by its own surplus "profits" and the local societies' ownership of these assets, is acknowledged by issuing to them common stock, distributed in proportion to the value of the orders received. The central concern is managed by a Board of Directors elected by the local societies, as in Denmark.

OTHER BEGINNINGS

At the present writing mutual live stock, insurance and bacon-curing associations are being advocated and in some places organized on a basis that seems to insure success.

GENERAL CONCLUSIONS.

We have noticed in the case of both Denmark and Ireland that coöperation to be successful requires an order of citizenship that only genuine technical and cultural education can produce. In addition to this it requires conditions of independent land ownership not purchased at a price which puts an unbearable interest burden on the farmer.

Coöperation has been most successful when state aid has seconded the efforts of voluntary organizations once their earnestness and practicability have been proved. Back of these movements, voluntary or official, have always been broad-minded, unselfish, inspiring men. But to give their vision and their prudence full effect, the financial resources and constraining power of the state have been clearly indispensable.

CHAPTER II.

CO-OPERATION IN WISCONSIN.

I. EARLY HISTORY OF SO-CALLED CO-OPERATION.

We shall describe two movements that occurred in the early history of Wisconsin before taking up the real coöperative movement as we understand it to-day. Suffice it to say at this point that neither of these movements, one of which is known as the "Ripon Phalanx" and the other "The Purchasing Agent System" are in any wise similar to present day coöperation either in form or in spirit.

THE RIPON PHALANX.

The Ripon Phalanx was an early adaptation on American soil of a French scheme of community-life worked out many years before and applied experimentally by a noted communist, Charles Fourier. His idea was that all the benefits of a "balanced civilized life, with a thoroughgoing but not too cramping division of labor," could best be realized in aggregations (units) of 1,600 to 2,400 persons, who should live and carry on their domestic industries in a large community-house on an ample tract of land which they should own and part of their number work upon. This plan was decided at a meeting of the village lyceum in Kenosha (then called Southport) in the winter of 1843-1844, and the upshot was the purchase from the federal government of a tract of 1700 acres of good land at the original "gift price." The phalanx here founded, both in form and in spirit, was on the whole a faithful reproduction of the earlier French phalanxes. The phalanstery, or common house, comprised two parallel rows of tenements 400 feet long with a large hall between. This served as a general dining-room where the great majority ate, although those so preferring could have their meals in their own apartments.

The economic organization was about as indiscriminating and uncoercive as it could have been made. The whole internal distributive system was controlled by the most democratic principles. Some of the questions thus decided were (1) who should supervise the different departments of work (chiefly agricultural); (2) how the net income should be divided between current labor and invested capital ("past labor"); and above all, (3) how the various kinds of current labor should be paid. These last two questions they decided by fixing an indiscriminate hour-wage for all men and all occupations, skilled and unskilled, arduous and easy, and by distributing the balance of net income ("profits") three-fourths to labor according to annual individual wage-sums and one-fourth to capital according to the investment stake of each. The individual income-shares were determined by the time spent at work and the capital contributed.

During its brief life of a half-dozen years, the phalanx was a success in the sense that it held its own against the world and its members made a comfortable living. But from the standpoint of membership it doubtless fell far short of expectations—the president's report of 1847 showed 157 residents, comprising 32 families and some unmarried adults. In 1850 steps were taken for its peaceful dissolution. Quite evidently this was not due to a feeling that capital was not being sufficiently rewarded, for the hour-wage was kept low enough to allow a 12% "dividend" to stock the first year and a goodly percentage thereafter. No; the real reason is probably that "life in a Phalanx . . . is not compatible with American ideas"—or the intuitive wisdom of any people, for that matter.

THE PURCHASING-AGENT SYSTEM

The first serious effort of Wisconsin farmers to coöperate occurred about 1870 with the general awakening of the National Grange. Here, as elsewhere, the local granges banded together in the support of a state purchasing-agent, who assembled orders from the respective associations and apportioned them at his discretion among various manufacturers willing to sell directly at wholesale, purchasing in carload lots wherever possible. The amount of business transacted in this way during the six years 1875-80 inclusive, the period of greatest activity, is indicated by the following summaries taken from the Grange reports:

Year	No. of Members*	Value of Orders	Average per M.*
1875	18,653	\$38,194.38	\$2.04
1876	18,427	115,882.31	6.29
1877	17,640	164,445.16	9.32
1878	7,093	86,391.92	12.18
1879	5,526	61,334.44	11.08
1880	4,651	55,560.20	11.93

The most striking feature of this table, of course, is the falling off of almost 50% in the business of 1878 as compared with that of 1877. What was the cause? True, this decline came fast on the heels of the recommendations of the National Grange in 1877—"There have been more failures than successes . . . we advise the discontinuance of any [state agencies] now in existence." But this mixed confession and surrender, while it may have swayed the minds of some farmers inclined to follow such long-range authority, can hardly be accepted as a controlling cause independent of the conclusions reached by the great majority of the members based upon their own experience.

What then was the trouble with the purchasing-agent in Wisconsin? The dissatisfaction seems to have been due to the following reasons:

- (1) Insufficient cost savings.
- (2) Unsatisfactory quality of goods.
- (3) Delays in filling orders.
- (4) Requirement of "cash with order" payments.

These objections cannot be accepted without examination, in unqualified condemnation of the state-agency system. In the first place to what extent did they actually represent the facts? Again, where should the weight of responsibility for those facts rest? So far as the situation could have been improved, was the chief trouble a lack of efficiency in management or of loyalty on the part of the members?

And if improved, as it might have been, was the function it might have performed worth while? In other words, what might legitimately be expected of such a system? With loyal, intelligent backing need this normal expectation have been a reasonable ground for disappointment and desertion?

For answer to these very vital and pertinent questions we probably cannot find more illuminating material than a letter written,

*Columns No. 2 and No. 4 are not particularly significant in this connection, as others than grange members were allowed to patronize the state agent.

in 1885, by Mr. S. G. Kuifflein, of Milwaukee, then the state agent, to the State Bureau of Labor. This shows graphically how interwoven were all the factors in the system.

What then was expected of the agency? "The general desire . . . is to save fully 25% on purchases." What was its sales policy? "We have not aimed to do more than cover expenses . . . For fear of disappointing them we sell all staples at about net cost to us without a margin that covers expenses . . . For eleven years we have shipped sugars at actual cost, receiving nothing for cartage or shrinkage; nails at an advance of five cents a keg; barbed wire at $\frac{1}{8}$ - $\frac{1}{4}$ of a cent a pound profit from (meaning "margin on") carload lots, or an advance of about 5% on net wholesale rates for small lots. What were the savings actually realized? The saving to patrons naturally varies according to the advantages in their own local market . . . We are able to save them that much (25%) on many things . . . On teas I think we save patrons fully 25% and the same on coffee, lubricating and illuminating oils."

What kind of patronage did the farmers actually give the agent? "Farmers use this agency as a bureau of information more than anything else, and as a regulation of local trade. The information imparted in the other nine out of ten letters is used to enable the correspondent to buy more intelligently and to better advantage at home." What effect did this practice have on the expense necessarily charged to actual purchasers?

"Our correspondence is simply immense . . . We sell about \$100,000 per annum and mail prices and answer letters sufficient to sell ten times the amount . . . Perhaps out of ten inquiries from new customers we get one order."

Did the agency do anything to increase its volume of sales? "We do not restrict our sales to members of the Grange."

What reason could the agent find for the above low percentage of patronage? "We do not sell on time, and it is probable that a large portion of our correspondence is from parties who have not the means to buy for cash and so do the best they can for time purchases where they have a local credit." But this does not mean that the great majority of all farmers could not 'get ahead' and so secure the benefits of cash trading. From a knowledge of the cash factor in country bank deposits, especially in the well-established districts, he must have known how many actually had money ahead and could command cash if they wished.

Evidently with those in mind he says, "If the farmers were a unit in coöperation and would pay cash promptly on delivery or even on thirty or sixty days, goods could be shipped to them in broken lots as cheaply as dealers can buy of drummers. It costs the jobbers or wholesaler from 5% to 7% on the value of his goods to sell the same through traveling agents, and he could break bulk and make as much profit and do a safer business, if the farmers, through their organizations, would create a sure market."

"This would save the farmers all the profits made by local dealers in carrying a stock in their vicinity." So in his judgment goods could even be bought on considerable time by responsible credit associations. Then why was there not greater interest in organizing to that end? As if in answer he adds, "But of course they would have to forego the convenience of a local point of distribution," i. e., (1) of seeing before buying and (2) of immediate delivery."

Here the situation of a generation ago is presented in a nutshell. There may have been minor and short-sighted attempts by unprincipled manufacturers to palm off goods of a quality inferior to what was implied in their quotations, but the great trouble was that those who most needed to save could not pay promptly, and those who could pay cash valued the conveniences offered by local merchants above the savings to be had for waiting and buying "sight unseen." These latter "wanted what they wanted when they wanted it" and the rest could command only local credit. And of both classes, so far as the inconvenience of paying before using was concerned, it might be said that they found they could not "eat their cake and have it, too."

That the unfavorable declaration of the National Grange did not kill the Wisconsin agency may be seen from the fact that it was still doing business in Milwaukee in 1886, and still under the old handicap of writing ten letters for every order.

II. PRESENT DAY CO-OPERATION.

Two voluntary organizations stand out in Wisconsin to-day as sponsors of the coöperative movement—the American Society of Equity and the Right Relationship League. The Patrons of Husbandry are now concentrating the efforts of their 1200 members on the rural school question and have given up their active interest in coöperative work. One of these organizations, the

Right Relationship League, gives its whole time to the organization of coöperative stores and we will therefore discuss its work in the pamphlet on coöperative distribution. The other agency is the

AMERICAN SOCIETY OF EQUITY

From the issue of the *Wisconsin Equity News*, of June 10, 1912, we learn that the underlying principle, controlled marketing, upon which the society was based, was first promulgated by one W. L. Hearron of Carlinville, Ill., and that a number of local unions were organized by him in southern Illinois in the late nineties and early in 1900, that he outlined the plan to one J. A. Everitt, of Indianapolis, a seedsman and publisher of *Up-To-Date Farming*. Mr. Everitt appropriated the idea as his own and during the year 1902 published in his paper a series of articles introducing this new idea into our agricultural literature. This brought about on December 24th, 1902, the incorporation, under the laws of Indiana, of the American Society of Equity of North America.

Inexperienced leadership and inadequate finances were and are the greatest weaknesses of the organization. The plan of controlled and intelligent marketing has proven sound, and the necessity for a voluntary educational organization is acknowledged by students of social and economic progress.

IN WISCONSIN

Active organization work began in this state in 1903. The Wisconsin State Union was formed in January, 1906, and its state paper, the *Wisconsin Equity News*, was established in May, 1908.

An educational organization not assuming to engage in business activities, the actual results of the work and teachings of the society are not easily traceable; but, directly or indirectly, it is responsible for much of the coöperative spirit and activity in Wisconsin, and warehouses, elevators, creameries, stores, and shipping and buying associations of farmers are the result of its propaganda.

The organization took a leading part in influencing the establishment of the binder twine factory at our state prison, and together with the Right Relationship League, secured the passage of our coöperative law (chap. 368, laws 1911).

Personal jealousies and ambitions, lack of loyalty on the part of members, and neglect in keeping up annual dues from which the organization derives its support, may be mentioned as sources of weakness.

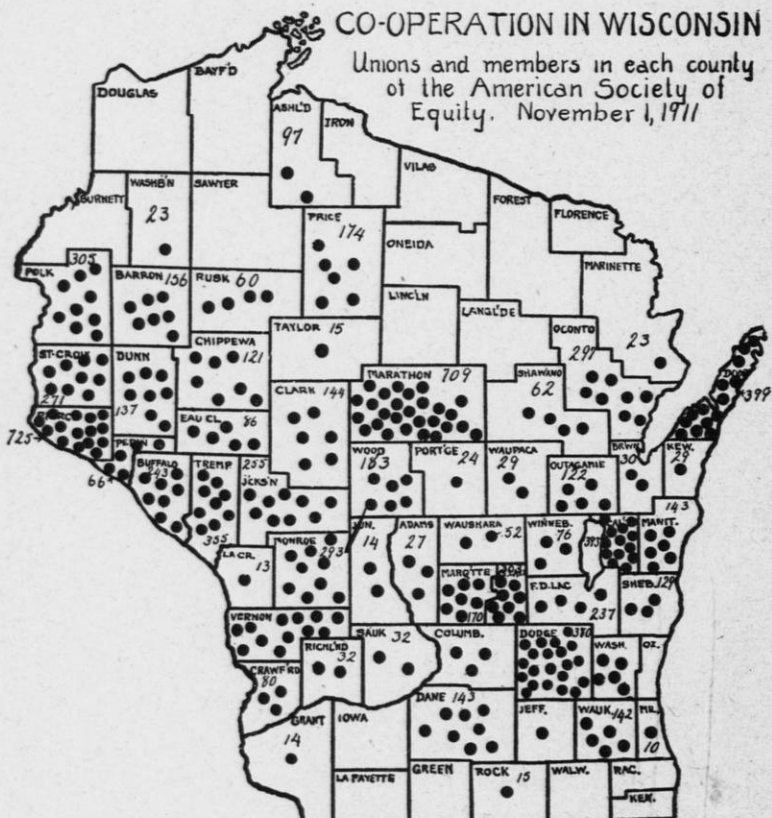


Chart A.

At the present time, the Wisconsin Branch of the A. S. of E. has over 10,000 members in good standing. Its greatest strength as shown on the accompanying chart (See chart A) is in Marathon, Pierce, St. Croix, Polk, Door, Trempealeau, Vernon, Dodge, Calumet and Dunn counties. The state headquarters are located in Madison, in charge of M. Wesley Tubbs, state secretary and editor of the official state paper. The other officers are President Emeritus, Thomas Emmerton, Bloomer; President, Ira M. J. Chryst, Sparta; Vice Pres., J. H. Carnahan,

Black River Falls, while the Hon. D. O. Mahoney of Viroqua, is president of the board of directors.

It is interesting to note that the mutual understanding between the officers of the Right Relationship League and those of the Society of Equity was further emphasized by the signing of a working agreement between these organizations on May 31, 1912.

Even before the Society of Equity or the Right Relationship League had come into Wisconsin, sheer necessity had forced some form of united effort in certain lines, notably in the production of butter and cheese. The records in Wisconsin for 1909 show that farm-made cheese brought fourteen cents a pound. As a result, only one pound of cheese out of every one hundred forty-six is made on the farm. On the other hand, farm-made butter brought an average of twenty-two cents a pound while factory-made butter sold for twenty-eight. Only eight of each 113 pounds of butter are made on the farm.

During the past few years coöperative activities of all kinds have been organized. It is safe to say that at the present time, there are upwards of one thousand organizations in Wisconsin, all of which are more or less coöperative in principle. Nearly every phase of coöperative activity, with the exception of credit, has been attempted, some of them with considerable success.

Farmers' coöperation has shown itself in mutual fire insurance companies, grain elevators, potato and tobacco warehouses, fruit growers' associations, live stock breeders' associations, cow-testing associations, dairy associations, coöperative egg marketing, live stock shippers' association, mutual telephone companies and stores, while coöperative laundries and coöperation in the vegetable industry are at present receiving a good deal of attention.

COW TESTING ASSOCIATIONS¹

Following closely the lead of the Newaygo County Dairy Testing Association of Fremont, Michigan, which claims the credit of being the first organization of this character in the United States, the Wisconsin Dairymen's Association began the work in Wisconsin by the organization of such an association in the

¹We are indebted to Mr. A. J. Glover, of Ft. Atkinson, Wis., Secretary of the Wisconsin Dairymen's Association, and to Mr. H. C. Searles, Fond du Lac, Supt. of the Cow Testing Associations, for this material on cow testing.

neighborhood of Rosendale, in September, 1905. In May, 1906, Mr. H. C. Searles, now superintendent of the cow-testing associations of the state, began the work as expert tester. Late in the season Mr. H. K. Loomis, started similar work on a more limited scale in Sheboygan county. In 1907, several associations were organized upon what was termed "the fifty cent plan". The work was conducted in the following manner:

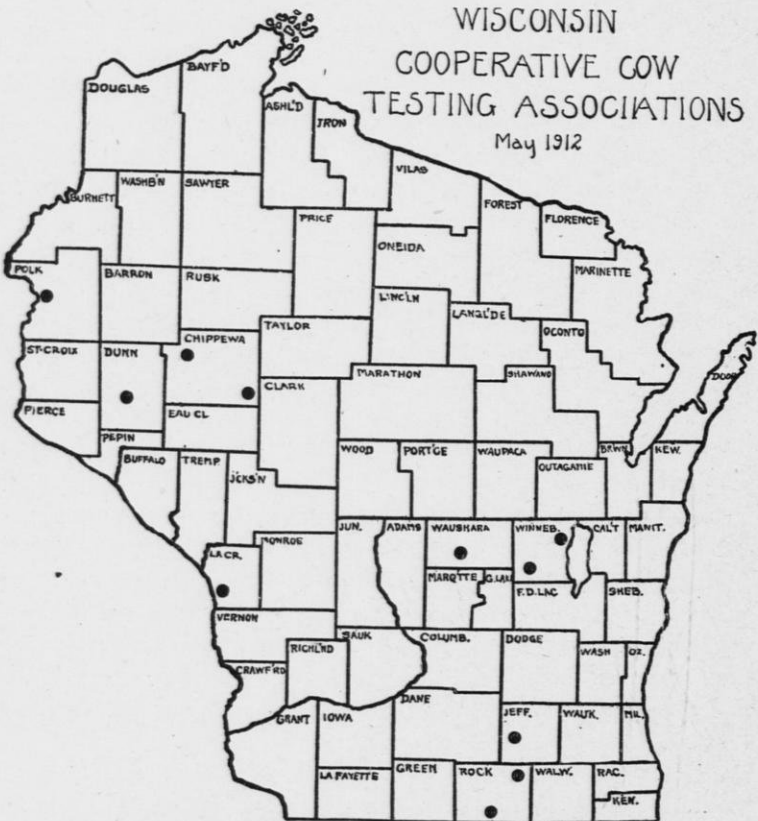


Chart B.

Each person who joined an association was required to pay fifty cents per year for having the milk of one cow tested once a month. It became necessary for each member to weigh and sample the milk of each cow in his herd and then take the samples to the creamery where they were tested by the butter maker. This system proved very unsatisfactory, since, in the

busy seasons, farmers would neglect to weigh and take the samples and after being tried for a year or two at twenty-seven places, the plan was abandoned, and the "dollar plan" of testing which we shall presently discuss was adopted.

Since the cow-testing associations were organized six years ago, 1452 dairymen have belonged to them and 17,548 cows have completed a year's record. But the work has not shown great results, because the reports show that few have continued the testing for more than one year.

HOW ORGANIZED

A cow-testing association should consist of about 25 members owning in all not fewer than 400 cows and preferably 500 or 600. The present method of testing cows is to charge \$1.00 per year for each cow. This sum is paid to the treasurer of the association and he in turn pays it to the man who does the testing. Besides this expense, each member furnishes the books for keeping the records of his cows, the acid and the necessary apparatus for conducting the work, an expense very small indeed.

The first step taken in organizing an association is to get the required number of dairy farmers to sign a paper pledging themselves to furnish a given number of cows. After the required number of cows are pledged, a meeting should be called a constitution and by-laws adopted, and officers elected.¹ It is the duty of these officers, with the aid of the Wisconsin Dairymen's Association, to select a man to take charge of the work. This man visits each member's herd once a month and weighs the milk of each animal in the herd for one day. From the weight and test, he calculates the amount of fat produced for one day and estimates the amount of milk and fat produced for the month.

If the farmer is interested in knowing what it costs to produce butter fat, the tester will help him determine the amount of feed each animal is consuming. The tester must be taken from place to place and it becomes the duty of those in the association to convey him from one member's house to another. This work is usually arranged so that no one has to drive more than a mile or two. In some cases an extra sum is paid to the tester and he furnishes his own conveyance.

¹ See appendix for the farmers' agreement and the by-laws now being used by the State Dairymen's Association.

At the end of the year, the tester, with the aid of a representative of the Wisconsin Dairymen's Association, takes the records and calculates the amount of milk and fat each animal has produced and the profit or loss. The books are then returned to the owners.

Mr. H. C. Searles of Fond du Lac, is superintendent of these associations. It is his duty to help organize them and see that they are properly conducted. He visits each association several times a year, for the purpose of looking after the work. Owing to the constant change in men who are selected to do the testing work, it becomes necessary for him to secure a good many testers in the course of a year and give them instructions regarding the method of operating the association. If it were not for this he would be able to superintend a larger number of associations. On May 12th, 1912, Mr. Searles submitted to Mr. Glover, the following report which shows the number of associations in operation at the present time, giving the names and addresses of the secretaries and stating the number of members in each association. (See Chart B).

(1). The Beloit Coöperative Cow-Testing Association began the second year's work April 10, 1911, with 23 members and 470 cows. Officers, Pres., Chas. Lathers, Beloit, Wis.; Sec. and Treas., Edw. Salmon; Tester, E. C. Baltzer, Beloit, Wis.

(2). The Dunn County School of Agriculture Cow-Testing Association began the second year's work, March 6th, 1912, with 24 members and 415 cows; Manager, Prin. W. W. Sylvester, Menomonie, Wis.; Tester, Ernest Le June, Elk Mound, Wis.

(3). Bloomer and Eagle Point Cow-Testing Association began the fourth year's work May 10th, 1912, with 26 members and 450 cows. Officers, Pres., J. H. Kelley, Eagle Point, Wis.; Sec. and Treas., H. V. Bartlett, Eagle Point; Tester, Gordon B. Grimes.

(4). The Fort Atkinson and Milton Cow-Testing Association began the fourth year's work Feb. 1st, 1912, consisting of 100 cows on the dollar plan. Manager, Wm. Kammer, Milton Jet., Wis.; Tester, Harold Ulrich, Fort Atkinson, Wis.

(5). The Northern Division Winnebago County School of Agriculture Cow-Testing Association began its third year April 1st, 1912, with 23 members and 400 cows. Manager, Prin. J. M. Humphreys, Winneconne, Wis.; Tester, C. Ellis, Winneconne, Wis.

(6). Southern Division Winnebago County School of Agriculture Cow-Testing Association began the second year's work April 1st, 1912, with 16 members and 330 cows. Manager, J. M. Humphreys, Winneconne, Wis.; Tester furnished by the school.

(7). The Wautoma Dairy Improvement Association was organized Dec. 1st, 1911, with 30 members and 350 cows. Manager, Prin. D. E. Dafoe, Wautoma, Wis.; Tester furnished by the school.

(8). The Koshkonong Coöperative Cow-Testing Association was organized April 1st, 1912, with 37 members and 470 cows. Officers, Sec. and Treas., Herman Olson, Cambridge, Wis., R. F. D.; Tester, Roy C. McMullin.

(9). The La Crosse Tuberculin and Dairy Testing Association began the second year's work April, 1911, with 35 members and 550 cows. Manager, Frank E. Balmier, Onalaska, Wis.; Tester, Ole Hansen.

(10). The Inter-state Park Coöperative Cow-Testing Association, St. Croix Falls, Wis., was organized in April, with 400 cows and 26 members.

(11). Stanley, Wis., farmers will organize June 1st, 1912, with 26 members, owning 430 cows.

Total number of cows under test 4465; number of members belonging to cow-testing associations 287.

It will be noted that the association is testing 4465 cows. The dairy farmers of the state are putting \$4465 into operating cow-testing associations while the appropriation from the state to the Wisconsin Dairymen's Association is \$3000 per year. In other words, for every dollar that the state gives, the farmers belonging to the cow-testing associations put in \$1.50.

THE PURPOSE AND OBJECT OF COW TESTING

It has been thoroughly demonstrated that there are great differences in cows, and the only sure way to determine these differences is to weigh and test each cow's milk. It is not possible to determine the quality of milk by its color, or estimate the amount of milk that an animal produces by observing how much she gives at a milking. The way to obtain exact information is to weigh and test the milk periodically.

A cow that does not produce at least one hundred and fifty pounds of fat in a year will not pay for the feed she consumes. It costs but little more to keep an animal that will produce 300

pounds of fat than one that produces only 150 pounds. There is a profit in the one but no profit in the other. It is a well known fact that animals capable of producing but 150 pounds of fat in a year tend to produce animals of the same capacity. In order to improve the dairy herd it becomes necessary to breed to animals that will show a higher test. Because an animal has a pedigree is no assurance that it is capable of producing a large amount of milk. If breeding is to be done intelligently it becomes necessary to know the animals that are profitable and those that are unprofitable. Yearly records are the best guides; with these and a knowledge of the animals' breeding powers, conformation and other characteristics, a dairy farmer is in a position to build up a herd of good dairy cows. When we take into consideration the present prices of land, the cost of hired help, the demands of our civilization, we find no place on the farm for an unprofitable animal. The cow-testing association helps the farmer in securing a profitable herd of cows; it also helps him to see the importance of preparing the right kind of ration for his herd and giving them daily care.

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WHAT THE COW-TESTING ASSOCIATIONS HAVE DONE

It is not an easy matter to show exactly in tabular form what the cow-testing associations have accomplished. One of the serious difficulties of cow-testing work is to get the dairy farmers to realize the importance of its continuation year after year. There is a universal tendency among dairymen who have belonged to cow-testing associations to believe that one year's record gives them complete information concerning the individual differences of the animals in their herds.

A year ago at the time of reorganizing the Fort Atkinson Cow-Testing Association, one man said in substance:

"The Association has been of great value to me. I found that I own a very ordinary herd and it is my intention to dispose of nearly all the animals in my herd. In view of this, it would not pay me to continue testing them. When purchased cows or heifers raised on the farm fill their places then I shall resume the test work."

Such instances as this are very common and make it impossible to continue the work year after year.

The State Dairymen's Association failed this year to reorganize cow-testing associations at the following places: Waupun,

Rice Lake, Racine, and West Salem. A number of dairymen at each of these places would like to continue the work, but there are not enough of them to pay a reasonable compensation for a tester.

Another thing that prevents giving the exact increased production of the herds is the fact that, on the average, fifty animals are sold from the herds in every cow-testing association before they complete their year's work. The owners find the records so low that they do not retain the cows. Since the Dairymen's Association does not use anything but a complete year's work in their calculations, the records of these animals are eliminated.

In some instances, men began to test and found their herds so poor at the end of six months they withdrew from the association. In other cases, men owning pure bred's found their herds much below their expectations, thus tending to prevent profitable sales of their animals. In other words, they could make a better sale by talking pedigree than by talking pedigree and record. If the purchaser knew the breeder was keeping a record of each animal, he might request a record of the animal he intended to purchase, and this might embarrass the owner.

The following tabulated statements, showing the increase that has been made in two different associations, comes to us through Mr. Glover from Mr. Searles, Supt. of Cow-Testing Associations. It must be remembered that the dairymen suffered by the drought during the years 1910 and 1911 and there was a tendency to limit the amount of grain fed, which doubtless reduced the average production.

Ref 631.18-7825

Name of Association: West Salem Cow-Testing Association.
 Began test, Feb. 1, 1909; ended, Feb. 1, 1912.
 Summary:

	Milk lbs.	Fat %	Fat lbs.	Gross returns.	Cost of feed.	Profit.	Returns for \$1.00 in feed.
First year's average of all herds.....	5,232	4.3	228	\$66 40	\$30 50	\$35 90	\$2 17
Second " " " " " ".....	5,085	4.6	233	70 69	30 77	39 92	2 29
Third " " " " " ".....	5,935	4.5	269	84 00	33 50	50 50	2 50
First year's average of one herd.....	5,287	4.8	253	77 76	40 25	37 48	1 93
Second " " " " same ".....	6,172	4.6	286	89 97	36 98	52 99	2 43
Third " " " " " ".....	6,381	4.6	297	82 18	38 38	43 80	2 14
First year's average of one herd.....	3,547	4.3	152	40 71	26 98	13 73	1 50
Second " " " " same ".....	4,539	4.3	195	58 40	29 60	28 80	1 97
Third " " " " " ".....	6,165	4.3	265	82 61	35 85	46 76	2 30
Average amount of gain for all herds.....	703	.....	41	.....	.....	.....	.....
" " " " " " one herd.....	1,694	.....	44	.....	.....	.....	.....
" " " " " " " ".....	2,618	.....	113	.....	.....	.....	.....

I will always be glad to furnish any assistance I am able to further the interests of the dairy industry.

Yours truly,
 [Signed] W. H. CLARK."

These figures for the Bloomer and Eagle Point and for the West Salem Cow-Testing Associations, covering only two and three years respectively, are enough to convince every dairy community in Wisconsin of the value of such associations.

In the Bloomer Association, after only two years' work, the average amount of gain for all the herds was ten pounds of fat, while in the West Salem Association, the average gain for all the herds is 41 pounds of fat per cow.

Cow-testing associations have proved their worth and have had a powerful influence everywhere in interesting the young people in the deeper problems of farm life. It is a movement conducive to better community spirit, stimulating healthy rivalry. Wisconsin dairy farmers cannot do more for the upbuilding of the dairy industry than by fostering and organizing cow-testing associations in every part of the state.

THE DAIRY INDUSTRY

Wisconsin stands to-day as the greatest producer of butter and cheese in the union. Recent figures given out by the United States Census Bureau show that, in 1909, Wisconsin made one out of every eleven pounds of butter, and one out of every four pounds of cheese produced in the United States.

The magnitude of the dairy industry can scarcely be realized even by reference to the following statistics for the year 1909:

WISCONSIN DAIRY STATISTICS FOR THE YEAR 1909.

	No. of pounds.	Rec'd for or valued at
Cheese of all kinds produced in factories..	145,171,235	\$20,706,749
Other cheese-factory products sold.....		234,022
Cheese produced on farms	1,433,702	90,118
Butter produced in creameries.....	105,307,356	29,466,363
Other creamery products sold.....		1,739,650
Farm-made butter	7,952,480	1,750,948
Products of milk condenseries		3,771,600
Milk produced other than that furnished creameries, etc.		9,807,000
Estimated value of milk and cream shipped to points outside of Wisconsin.....		2,595,000
Skimmed milk		6,795,600
Whey		2,043,000
Total		\$79,000,050

Number of cheese factories	1,928
“ creameries	1,005
“ skimming stations	88
“ condenseries	19
“ patrons of cheese factories.....	39,847
“ patrons of creameries.....	83,083
“ patrons of condenseries.....	3,150
“ cows contributing to cheese factories.....	438,106
“ cows contributing to creameries.....	770,904
“ cows contributing to condenseries.....	47,305

The question of economical production and marketing of butter and cheese becomes of the greatest importance when we realize that in the cheese industry alone forty thousand Wisconsin farmers, in 1909, received an average of approximately \$600 a year, more than fifty dollars for each of their cows. In the creameries, 83,000 farmers are receiving an average of approximately \$400 annually, which means a little more than \$42 per cow.

We have seen elsewhere in this report that there are thousands of cows on Wisconsin farms that “do not earn their board.” We have attempted to show that the average yield per cow in Wisconsin needs to be increased at least from 1500 to 3000 pounds of milk per year in order to place the dairy farm on a moderately paying basis. How this can be accomplished has been elsewhere shown.

With this increase in the number of cows and in the average production, our next step is to consider the method of making the product. The day of homemade butter and cheese is past. Figures compiled by the United States Census Department for 1909 prove this point conclusively.

The early experience of Wisconsin farmers in the dairy industry at the time of the substitution of machine methods is similar to that of Ireland already related. Although from the outset there was some agitation for coöperative creameries financed either by joint loans as in Denmark, or by contribution of share-capital by the members themselves, little was accomplished.

As in Ireland, while the farmers debated and discussed the best type of organization, private individuals organized scores of joint stock factories which worked primarily for dividends on stock and only incidentally for returns to the farmers supplying milk to the factories. The early experience of Ireland was repeated in Wisconsin and in some quarters is still being repeated. Many of these privately-owned factories made fortunes for their owners in a few years and were then sold out to others who followed the example laid down by their predecessors.

These privately owned companies offered for a brief period high prices to attract the farmers. Later they quoted prices for their milk, which always left a sufficient margin to the owners to pay factory expenses and a good return on the stock invested. The farmers had no alternative except to make butter and cheese at home. This did not pay as the difference in prices between the factory-made and homemade product was too great.

Complaints became general. The farmers were not receiving just returns for the milk, and following exactly the example of the Irish farmers, organized joint stock companies. This plan worked a little better, because it was at least closer to the farmer and his interest. This action, however, divides the farmers in the community into two classes, those who own stock and those who do not. The owners of stock, of course, want the highest possible dividends, while the patrons of the creamery or cheese factory want the highest possible return on their butter-fat. This plan of organization, however defective it may seem, both in creameries and cheese factories, is very general throughout Wisconsin to-day. We have received many letters from farmers complaining very bitterly of this form of organization, and we have visited some communities which showed plainly the effects of such an organization in dividing the community sharply into two factions, the "ins" and the "outs."

A description of this type of organization follows:

"We organized our factory and made provision for a rainy day and for paying our just obligations by levying a sinking fund of 5 cents per hundred pounds of milk. It took three years to meet our outstanding debts in addition to keeping up repairs, but finally we began to see daylight and declared an 8% dividend on the paid up stock. This was a new day in our work and soon there was a call for stock. But the stock was all taken.

"The next year we paid 16% on the stock and the year following 32% dividend was declared. Then all the patrons wanted stock as an investment, and we saw danger ahead. And so we changed our plan which has worked beautifully ever since. We determined to continue the sinking fund of 5 cents per hundred pounds of milk, and from this, we decided to pay a flat 6% interest rate on the paid up stock, and then if any money was left at the end of the year it was to be paid out pro rata, on the pounds of butter fat delivered

by the share-holding patrons. Now we have an arrangement whereby patrons can obtain stock and become members at any time. Although this is not true coöperation, we find it works, and at the end of 1911, we paid back to the shareholders a cent and a half per pound of butter fat delivered for the year."

Big stock dividends and coöperation do not go together and the letter quoted above is an example of what awaits that form of organization, as a general rule.

The next step in Wisconsin was toward some form of coöperative organization. One of the most common forms was for the farmers to organize and build the factory, secure a good cheese maker or butter maker, rent him the factory for so much a year, and pay him a certain number of cents per pound for the making. Here is a typical letter from one such factory:

"The cheese maker pays \$100 rent for the factory per year and furnishes all supplies and receives $1\frac{3}{4}$ cents per pound of cheese for making."

For dairy farmers not well versed in fundamental coöperative principles, this type of organization and management is good, providing the butter maker is capable and honest.

There are many creameries and cheese factories similarly managed located in the southern and eastern parts of the state, notably in Green, Iowa, Sheboygan, and Dodge counties.

CO-OPERATIVE FACTORIES

From the hundreds of letters which we have received from coöperative cheese factories and creameries, we are convinced that the most permanent and satisfactory results are secured in those places where the patrons own, operate and manage the factory or creamery.

We are further convinced that the failures have been due to the following reasons:

- (1) Lack of sufficient support (too few cows),
- (2) improper organization,
- (3) poor management.

The history of the coöperative cheese factories and creameries elsewhere in the United States shows that the Wisconsin experience is the experience everywhere among dairy farmers. If these

three vital weaknesses, lack of sufficient support, improper organization and poor management, can be guarded against, the coöperative dairies of Wisconsin would be placed on a safe basis. How can this be accomplished?

SUFFICIENT SUPPORT

The first thing necessary is to find out whether the required amount of milk can be depended upon absolutely. It is true that in several instances in this state creameries have been started and have been a success with less than four hundred cows supplying milk, and cheese factories have been started with less than two hundred cows; yet the best authorities generally agree that if 400 cows for a creamery and 200 cows for a cheese factory cannot be relied upon to supply milk, the situation should receive very careful consideration and attention before any organization is effected.

"In Wisconsin at the present time there are 1005 local creameries, the average number of cows per creamery is 767, and the average membership is 83; while there are 1928 cheese factories, with an average of 228 cows and 21 farmers per factory. If it is not possible to secure a membership of 75 to 100, or a promise of from 200 to 500 cows, the farmers should plan to do either one of two things: first, ship the milk or the cream to a distant creamery; or, second, establish a skimming station."¹

PROPER ORGANIZATION

If a sufficient amount of milk or cream is assured, the next thing is the organization. As a general rule, experience has demonstrated that farmers should avoid "creamery promoters," who go through the state working up organizations, selling the stock, and getting up articles of incorporation and by-laws, in order to load machinery upon the organization at two or three times its real value. Such tactics have retarded the coöperation in many places and we cannot but warn communities of such practices. The more reliable supply houses now see the danger to their own interests in this promoting work, for when the farmers learn that they have paid two or three times as much for machinery as they should, there is immediate dissatis-

¹ Coulter, *Coöperation Among Farmers*, p. 45.

faction with the house and it loses their trade. It is the private promoter especially, who is not connected with any house and who has nothing to lose except his reputation, who needs careful watching.

HOW TO RAISE MONEY

Let two or three of the live and progressive farmers call a meeting, giving sufficient notice so that all interested will be present. At the meeting three plans along strictly coöperative lines may be proposed for the raising of the money.

(1) Let each patron take one or more shares of stock, which will be sufficient to cover the first outlay, and pay cash for the same.

(2) Let each patron sign an agreement which provides for the borrowing of the amount of money necessary to build and equip the creamery or cheese factory and which further provides that each person signing the agreement stand responsible for the payment of the sum borrowed.

(3) Let each patron subscribe for one or more shares of stock, and in case the patron is not able to pay cash, let him give his negotiable note to the association for the face-value of the same.

It should be the aim to make the subscribed stock cover the original investment cost of the plant and machinery. But should this not be sufficient, let the association borrow the balance on its note at the local bank. With the cash and notes as security there should be no difficulty in getting the necessary amount at the local bank.

Of these three plans for raising money for the original investment, this last plan seems to be the most practicable. It is rather difficult to get farmers in most localities to pay cash for shares, because as a general rule they do not have the ready money.

The second plan suggested is the one used very widely in organizing coöperative creameries and cheese factories in Minnesota largely through the influence of Prof. T. L. Haecker, of the University of Minnesota, who was a pioneer in this field. It is a plan modeled very closely after the Denmark system of organization. Most of the creameries and cheese factories so organized in Minnesota have been a success. This plan enables the creamery or cheese factory to begin operations without re-

quiring the individual patrons to raise the money. At the same time it gives the association the funds to buy the lumber, materials, and machinery and obtain the benefit of the lowest cash prices. It is an ideal system if the parties to the agreement are honest and capable.

An examination of this plan, however, reveals legal difficulties of very grave nature. Let us suppose the organization becomes insolvent through insufficient support or bad management. In such a case each signer of the agreement becomes personally responsible for the amount of the loss. It is purely a partnership agreement, and as such "each member would be liable for the full amount due on the agreement", according to the opinion of L. H. Bancroft, attorney general of Wisconsin, (April 23, 1912.)

The third plan presents no such difficulties. It makes each member liable only for the par value of the stock which he holds. In other words, the third plan presents not partnership liability but a corporate liability. On this point, the attorney-general has written as follows:

"As to stockholders in corporations organized under section 1786e it is provided: 'The capital stock held by members shall be exempt from execution and attachment except for debts of the association, and no member shall be liable for such debts beyond a sum equal to the par value of his capital stock paid up, etc.'"

"This section applies only to corporations organized under it, and whatever its effect as to the stockholders in such corporations it surely imposes no liabilities on the stockholders of a corporation organized under chapter 86 or under the provisions of chapter 368, laws of 1911 (new co-operative law.) As to the stockholders in such corporations, the only liability in addition to the amount of stock subscribed for and in the absence of participation in fraud, mismanagement, etc., is that imposed by section 1769 on the stockholders of every corporation for debts due to clerks, servants and laborers to an amount equal to the stock owned, etc."

It will be seen that this last form of organization is just as practicable and much safer from a legal standpoint than the one which raises the money by means of a partnership agreement which, in reality, is nothing less than an unlimited liability agreement.

At the same time, provision should be made in the by-laws for the creation of a fund, from which should be set aside interest charges, sinking fund for paying off stock issue, a certain amount for taxes, insurance, repairs and depreciation of the plant, and for an education fund in advancing the cause of coöperation in the community.

As time goes on further provision should be made for the taking up of all stock shares, and gradually making the factory or creamery free of debt and owned by all the patrons.

The new coöperative law (section 1736e—13, general statutes) makes the distribution of earnings in all new coöperative associations mandatory at first.

The directors, subject to revisions by association at any general or special meeting, shall apportion the earnings as follows:

1. Interest not to exceed 6% on paid up capital stock.
2. Not less than ten per cent of net profits for a reserve fund until a sum has accumulated equal to 30% of paid up capital stock.
3. Five per cent of the reserve fund for teaching coöperation.
4. The remainder of net profits by uniform dividend based upon the amount of butter fat supplied.

It will be noticed that this division of earnings is subject to revisions by the association at any general or special meeting. This must be interpreted to mean that the association may apportion its earnings after organization, with or without adherence to the plan laid down in the law governing coöperative associations in Wisconsin, providing the association so decides.

In the appendix, suggested articles of agreement, articles of incorporation and by-laws many of which have been followed with success at different places in Wisconsin, are given. Of course, such changes could be made as local conditions demand. As a general rule, five cents on each one hundred pounds of milk, or $\frac{3}{4}$ of a cent per pound of butter fat in cream received at the creamery is retained to form the fund for the purposes above stated.

The amount taken out is scarcely felt by the patrons for after this is deducted, they will get more for their milk than they received before from the privately owned creamery. So the creamery or cheese factory can be made to pay for itself from the profits which, prior to the establishment of coöperative factories, were lost entirely.

Under this plan a creamery that is receiving milk from five hundred cows should be receiving, at a conservative estimate, five thousand pounds of milk a day. If five cents per hundred of this went into the sinking fund, it would mean two dollars and a half a day, so that it would require from three to four years to pay off the loan. If the association does not feel disposed to pay off the stock issue the general rule of coöperative associations is to pay only interest charges for the use of the same. Just what the current rate of interest is in each community is a local question, but in this state under the coöperative law, the maximum is six per cent.

The experience of many creameries and cheese factory associations leads us to the conclusion that the association should keep its hand on its stock issue and manage it more carefully than many associations do to-day. Provision should be made so that when a stockholder ceases to be a patron of the creamery or cheese factory, either the association or one or more of the remaining stockholders should have the option to purchase his stock at par or at its market value. In order to make its validity secure, according to the opinion of the attorney-general such a provision should be included in the articles of incorporation, subscription agreement, by-laws and on the face of the stock certificates issued. According to a decision handed down by the Wisconsin Supreme Court, such a provision, if contained in the by-laws alone, would be invalid. (67 Wis. 401).

In addition to these financial provisions in the by-laws, provision should also be made for at least three other important rules which every such organization should have. Dr. John Lee Coulter, in his excellent little book, "Coöperation among Farmers," states these regulations clearly:

"The first of these rules is that each member will deliver as clean and pure a sample of milk as is possible and that he will accept pay for the cream taken from the milk in proportion to the butter fat which it contains. The second rule should be that each farmer will deliver all of the milk which he produces on the farm and which he does not use for family purposes, or that he will pay a certain fine which will be used to help to maintain the skimming station. The third rule should set a certain hour each forenoon when absolutely all of the milk which is to be delivered must be at the skimming station.

“The significance of the first rule must be plain to every one. Without good milk we cannot have good cream, without good cream it is impossible to make the best grade of butter, and without the best grade of butter the farmers cannot expect to get the best prices. The significance of the second rule is that unless the farmers absolutely agree to patronize the skimming station and send all of their milk to it, the burden of maintaining it may fall upon the shoulders of a few and the expense will be so great that it will fail. Competing companies often offer a small advance for a short time as ‘bait’, and as soon as the factory has failed from lack of patronage they reduce their prices. The importance of the third rule is that if the milk is allowed to be delivered at any time during the day the person in charge of the skimming station must keep his engine running, or ready to run, a large part of the time. He cannot keep his separator clean and sanitary, and he cannot deliver the cream to the transportation company, or take it to the creamery which he is supplying each day, as he should do. There are many minor rules which each group of farmers must naturally agree upon among themselves. In European countries there are a great number of these skimming stations, as well as a considerable number of successful ones in this country.”

There has been some doubt as to the legality of rule two and three in the minds of some of our farmers. According to the attorney-general, these provisions may be maintained and enforced if they are clearly laid down at the time of organization and inserted in farmers’ agreements and in the by-laws.

The relative place of Wisconsin along coöperative dairy lines is well shown in the following chart taken from the report of the United States Census Bureau for 1911:

Number of Creameries and Cheese Factories as shown by the Records of the Dairy Division. Bureau of Animal Industry. 1911.

Location	CREAMERIES		CHEESE FACTORIES	
	Co-operative	Total	Co-operative	Total
Alabama		2		
Arizona	1	4		4
Arkansas	4	9		
California	32	252	3	
Colorado	6	35		158
Connecticut	15	34	1	16
Delaware	1	8		1
Georgia	1	6		
Idaho		13		
Illinois	55	247	2	5
Indiana	77	137	2	68
Iowa	313	592	1	24
Kansas	6	59		15
Kentucky	19	30		8
Louisiana		1		
Maine	7	39	1	
Maryland		50		9
Massachusetts	9	33	1	
Michigan	101	309	3	
Minnesota	608	838	24	235
Mississippi	1	3		80
Missouri	16	51	2	
Montana	15	22		7
Nebraska	10	51		
Nevada	2	6		
New Hampshire.....	7	34		
New Jersey	1	32		3
New Mexico		2		
New York	118	744	39	
North Carolina	2	3		917
North Dakota	43	109	1	
Ohio	30	196	3	3
Oklahoma	9	29		230
Oregon	6	125	1	
Pennsylvania	92	461	14	66
South Carolina		2		116
South Dakota	55	143	1	2
Rhode Island		2		2
Tennessee	2	4		
Texas	21	68		
Utah	4	58	1	1
Vermont	59	173	2	26
Virginia	7	11		49
Washington	17	245	3	2
West Virginia	1	3		13
Wisconsin	347	1,000	244	1,784
Wyoming		9		
Total	2,120	6,284	349	3,846

To summarize these figures, we find that only one out of every five creameries and cheese factories in Wisconsin is co-operative, according to the government standards. This means

that only one-fifth of the dairy machinery in Wisconsin is owned by those primarily interested in dairy farming. But an investigation into the conduct and management of nearly three hundred of these plants owned by farmers has disclosed some very important facts.

Out of 169 coöperative creameries from which we have received reports, 72 (42%) make provision for voting by shares and not by the fundamental coöperative principle of "one man, one-vote." A glance at the chart will show the location of the two kinds. Few indeed have made any provision, for any surplus fund, or even to have any profits after paying expenses at the end of the year. Only 22% of the creameries heard from, attempt to have any surplus; of this number only 2% make any provision for a depreciation fund. Twenty per cent make provision for repairs and maintenance, while a little over 2% make provision for an educational fund. Many, even in the more progressive communities, are not yet convinced of the value of cow-testing associations; and in 57% of these coöperative creameries no effort has been made to increase the amount of butter fat produced. Only four per cent knew how such increased production could be brought about.

A proper keeping of books is essential to the management of a farmers' creamery, yet only 21% report that these farmers' organizations have resulted in a better system of accounts kept by the farmers.

Again the reports show that not quite 6% have made an effort to raise the quality, as well as the quantity, of product. Apparently no attempt is made to have one breed of cows used by all the farmers supplying milk to the creamery. One and one-half per cent of the creameries use the tuberculin test on all cows supplying milk to the creamery and 10% have used the test on part of the cows.

The creamery is the logical place from which other coöperative enterprises spring. It is a remarkable fact, and a striking weakness, that only 1% of them have gone ahead and gathered other coöperative enterprises about them, such as laundries, fertilizing associations, cow-testing associations, egg-marketing associations, live stock breeders' associations, live stock shippers' associations, and the like.

Likewise only 7% have worked in connection with other creameries to secure higher prices and lower transportation rates. It

is noteworthy, however, that more than 95% of the creameries report that they are working to secure a purer and fresher grade of milk and cream, and 27% report that the establishment of the coöperative creamery has resulted in an extension of social activities among the farmers.

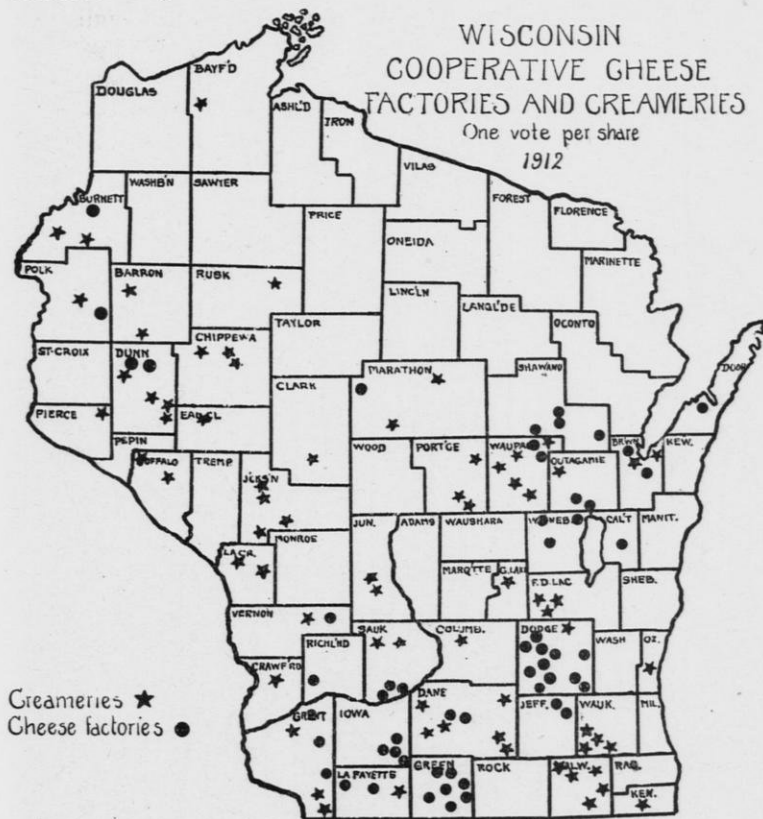


Chart C.

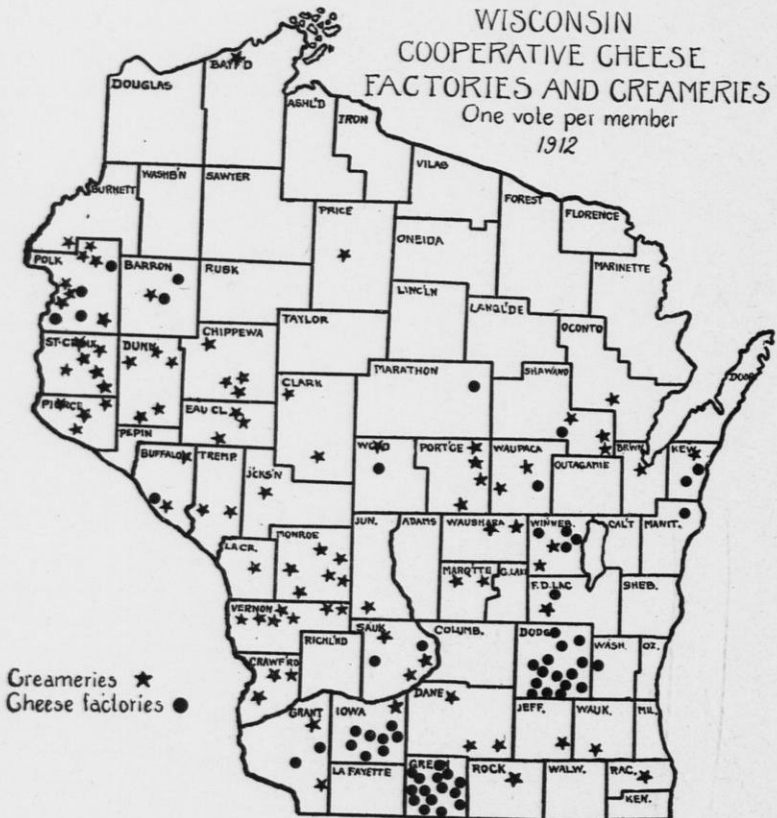
When asked as to what was the great advantage of coöperation in the creamery, 42% replied that the farmers were getting "all there was in it," while 14% did not see any particular advantage in it. (See charts C and D.)

CHEESE FACTORIES

Of the 126 coöperative cheese factories from which reports have been received, 54 (or over 42 %) still maintain the principle of voting by shares.

The provision for a rainy day has not yet appealed to the co-operators in the cheese industry, for only 25% make annual provision for a maintenance and depreciation fund, and only 3% for the surplus or emergency fund.

Only 38% of these organizations use the butter fat test—a surprising fact in progressive Wisconsin. In plain English, it



means that in 62% of them, the milk testing 4% is paid the same as that testing only 2%, thereby putting the poorest cow on a par with the best. As a direct result of this policy we find that in more than 84% of the factories, there has been no effort to increase the amount of butter fat per cow, and 88% have made no effort to secure the use of one breed of cows by all the farmers supplying milk to the cheese factory. The tuberculin test

is used on all the cows supplying milk in 2% of the factories, while in 10% of them some of the cows have been tested.

But still more surprising is the fact that not one of those reporting had gathered any other coöperative enterprises about it, such as were enumerated under coöperative creameries. In only 7% of the factories, did they work in connection with other associations, so as to secure higher prices and lower transportation rates.

Social activity is one of the most neglected fields in rural life to-day. And yet we find that less than 17% of these factories used their organization to extend social activities in their communities.

And finally, of those reporting, 39% believed coöperation beneficial, 4% did not think so, while the other 57% apparently did not consider coöperative benefits of sufficient importance to answer the question.

LIVE STOCK SHIPPERS ASSOCIATIONS.

Live stock shippers' associations among the farmers and live stock breeders' associations should go hand in hand. As usual much attention has been paid to the raising of a better grade of stock. In fact, the State Live Stock Breeders' Association is subsidized by the state and has been instrumental in organizing sixty-two associations, for the primary purpose of raising the standard. This work is fundamental. It is good sense and good business. Yet what about the marketing of these better grades? It is a noteworthy fact that the American farmer receives only about 40% of what the final consumer pays for agricultural products. As Dr. John Lee Coulter says:

“What is needed at the present time is systematic organization among the farmers for the purpose of developing special lines of animals for special purposes.

“It is a very great disadvantage in shipping hogs not to have at least seventy-five or eighty animals, and therefore, unless farmers are organized to ship together, each farmer must necessarily have this number maturing at about the same time. It is much better for farmers to have, say, from ten to twenty hogs for each farm maturing at about the same time. Eight or ten farmers should then ship together, and should make three or four shipments during the year.”

Mr. Coulter's suggestion may be followed in the marketing of sheep, cattle, horses, as well as hogs. The very fact that the marketing of live stock takes only a few minutes, has tended to some extent, to blunt the farmer's vision as to its importance. There were two old-fashioned methods of marketing live stock, neither of which was satisfactory. The farmer waited for the market to come to his farm in the form of a butcher or stock buyer who offered the farmer a price for the stock he had for sale. The purchaser knew the markets, the kind of animals desired by the packers, could tell how much the animals weighed and their approximate value. The farmer was at a disadvantage. He was ignorant of the market, the packers' methods, or the real value of the animals. He based his price-quotations on the bid of the purchaser. The result was a loss of from \$3 to \$5 on the average animal. "In practically every case," says Coulter, "the farmers lose when they sell in this way."

The other system, now more generally used in Wisconsin, is for the farmer to take his animals to the local market and offer them for sale. Here again he suffers, for he is forced either to take the price offered, or to take the animals home. As a rule, the buyers are in close touch with each other and there is generally an understanding as to the prices to be paid.

Lately, however, the farmers have awakened to the situation. They are beginning to see that a better system of marketing and more profits go together. As Mr. C. B. Williams says regarding the loop-holes in the old system of marketing live stock¹, "It naturally makes a man mad to find that a stock buyer has made as much profit off animals in a few minutes as the farmer made with all his work and responsibility for years. The writer has felt that indignation at a profit of from \$4 to \$7 per head on his cattle going to a buyer who merely sat in his office and made bargains. . . . Coöperative marketing of live stock is a most obvious instance of the saving to be made by simply getting together and planning in common."

Wisconsin is one of the greatest live stock states in the Union. It ships millions of dollars worth of cattle annually to the markets of Chicago, Kansas City, Milwaukee and South St. Paul, old-time methods being generally used.

¹*The Farmer*, May 18, 1912.

The following letter came to us recently from a prominent stock breeder, who has been in the business for more than a quarter of a century. He says in part:

"I wish to plainly state that we find an association of stock buyers with a large membership having for their motto 'the greatest profit from the amount of business done' is an absolute necessity. I find that in our city four shippers contribute all profits to one account and every purchase is made for the account of the firm, and that shippers of adjoining towns are working peaceably within the rules of the association with a capital fund for carrying on their purpose of defrauding our farmers of their just prices for their live stock."

Instead of paying from two to seven buyers going about to pick up live stock for shipment, a great saving would result, if the farmers would form a local organization and market through a common agent.

Dr. J. L. Coulter estimates that the usual profit on cattle averages about \$3 per head or 40 cents per hundred weight. C. B. Williams estimates the clear profits, according to his own experience, to be from \$4 to \$7 per head or 50 cents per hundred weight. This is merely the cost of doing business and does not include the freight, feed, loss from shrinkage or commission at the terminal. By working coöperatively, the cost of carrying on the business has been reduced generally to six cents per hundred or about 60 cents per head. Instead of paying four buyers \$500 per month, the farmers pay only the salary of the manager.

One farmer writes:

"Veal, for instance, which brought \$5 per hundred before brings \$7.25 per hundred now that we do our own shipping. Butchers often offered us one-third of what calves were worth and called us crazy when we complained. We are now shipping together every two or three weeks, and find that we are not at all foolish as the merchants and butchers claim."*

Another, "Our association effects to us a saving of about 65 cents per hundred on hogs and 70 to 75 cents per hun-

*Letter in Wisconsin *Agriculturist*, May 2, 1912.

dred on cattle and sheep. We have through our organization in this country (community) shipped several hundred carloads of live stock in the last year, and when I say we have made a saving of 50 cents per hundred pounds, I am making it low. I might say that in some localities in our country (community) the individual stock buyer is a thing of the past. . . . We think we can show by actual figures that we have distributed among the farmers \$40,000 this year that would not have been received had it not been for coöperation in this one place.”

Another farmer, a member of a shipping association, which did a business of \$130,000 last year, writes us that thousands of dollars have been saved by this association to the farmers.

Judging from the information we have received, a saving of from 30% to 100% has resulted from the work of these societies.

FAILURES

A coöperative association does not run automatically. It needs the same painstaking care that other organizations need. Failures have resulted because the farmers were not willing to pay the price. The indifferent community is not good soil on which to scatter the seeds of coöperation.

THE PLAN OF ORGANIZATION

The plan of organization is very simple. After the organization has been completed, ten farmers being sufficient for a beginning, a manager is appointed by the association. When any member has stock ready for shipment he notifies the manager and when there is enough ready to make a carload the manager orders the car for a certain day and notifies the farmers to bring in their stock. The stock of each member is marked by a tag in the ear or by a brand and he receives just what his stock brings less the actual expenses of selling. When hogs are shipped the manager grades them and the shipper receives credit according to the grade of his hogs.

No capital is required, the shippers receiving their pay from the returns received for the shipment and the manager is usually paid a fixed commission of six per cent. The by-laws commonly provide for a very small per cent to be set aside for insurance

and reserve. By this means, any animals which may be lost during the transit, if in good condition when shipped, are paid for on the same basis as though no damage had been done. Various other small contingencies may be provided for in this fund.

In some places in Minnesota and the Dakotas, the shipping is done by farmers' elevator companies without a district organization. Generally they buy the stock outright just as they do grain, and return any profits to the stockholders, or their patrons. The aim is to buy on small margins and pay most of the dividends at the time of sale.

PROPER ACCOUNTING IMPORTANT

The mutual confidence of coöperative enterprises should not be weakened by a loose system of accounts. Businesslike forms should be used at all times. Too much importance cannot be attached to this work. A form of receipt to be given to each patron should contain his individual mark and the number and weight of each kind of stock. This should, of course, be kept in duplicate. Statements showing gross weight, shrinkage, all expenses and net returns should be sent with the check for the balance after each shipment. Payment by check is the proper method, as it saves time and furnishes a permanent receipt record.

In addition, the manager should have a card with him in the yards on shipping day and record each patron's number as given, thus preventing duplication and confusion.

As in all other forms of coöperation, personality is never at a discount. Much success depends on the ability and skill of the manager of the local organization. Good management and loyalty of the members means success and prosperity.

Minnesota is far ahead of Wisconsin in this work. In the summer of 1911 the Minnesota Coöperative Shipping Association was organized at the suggestion of the managers of several of the local shipping associations. The purpose of this central society is to discuss matters pertaining to better methods and also to aid in the formation of new societies. The situation was somewhat complicated by the fact that the local societies had no uniform system of marketing and accounting. Since organizing the Central Society, uniform systems of accounting and marketing have been adopted. Likewise, the central organiza-

tion has prepared a constitution and by-laws for local societies.

The result of such societies means a net gain of 25 cents to 50 cents per hundred pounds for all live stock marketed.*

THE GROWTH IN WISCONSIN

The state of Wisconsin, through its university has done much to show the farmers how to increase their production, but it

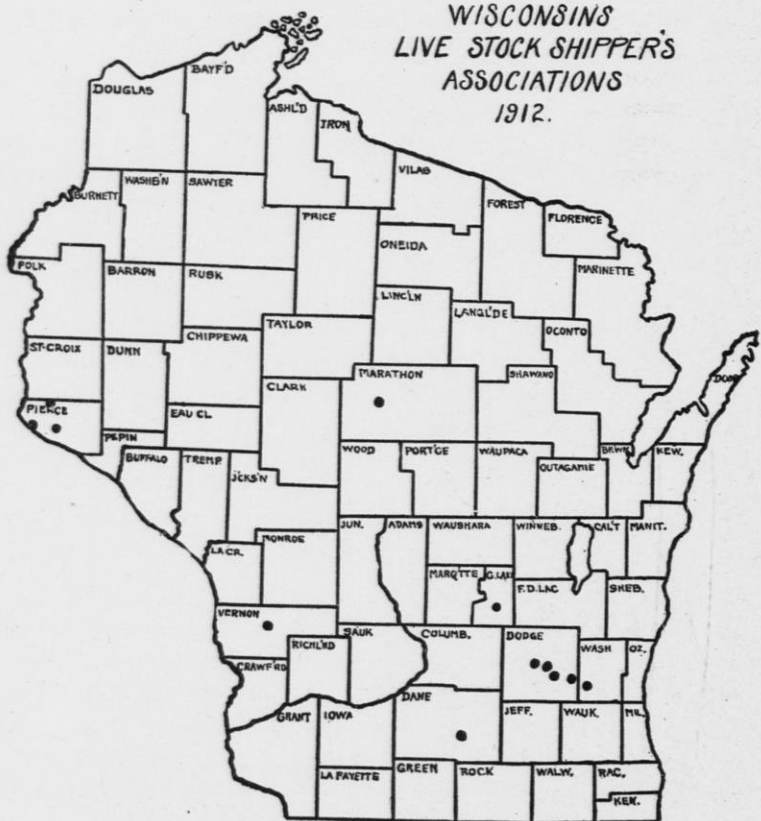


Chart E.

has so far done little to teach the farmers how to market their produce scientifically. And yet, the need for such work is very clearly seen by a glance at chart E. During the past three or

*Letter from W. H. Tomhave, of Minnesota Agricultural College, to A. W. Hopkins of Wisconsin *Farmer*.

four years, coöperative live stock shippers' associations have been organized at fifteen or twenty shipping points in our state.

Such associations for the marketing of live stock have been formed at Westby, River Falls, Markesan, Ellsworth, Rubicon, Prescott, Stoughton, Iron Ridge, Beaver Dam, Juneau, Hartford, Marathon and Marshfield. This is but a beginning, for when farmers realize the wasteful expense of their present system hundreds of these associations will be formed.

FRUIT GROWERS' ASSOCIATIONS

The largest, oldest, and most successful fruit growers' association in Wisconsin is the Sparta Fruit Growers' Association. It was organized in May, 1896, with 500 shares at a par value of two dollars per share. The nature of the business, as declared in its articles of incorporation "shall be to buy, sell, market and exchange and dispose of small fruit and produce and to do and perform such business, and to own such real estate and other property as may be necessary in carrying out the purpose thereof."

In the by-laws they provide that the board of directors shall have the power and it shall be their duty to withhold such a percentage of all sales as they shall deem sufficient to pay all expenses of a legitimate nature incurred by the association in the transaction of its business, after all losses from uncollectable accounts shall have been deducted.

It is further provided that at the close of the season, after all expenses have been paid, any surplus moneys so retained shall be paid the members as a pro rata dividend on their season's sales, in final settlement of the season's accounts.

The board of directors has drawn up rules regulating the delivery of fruit produce. Each grower is obliged to have his name stenciled upon every package he delivers. When deemed necessary, the fruit or produce is graded by a competent grader in accordance with the orders of the board of directors. Each day's sales are treated as a unit and the proceeds distributed among the members according to the amount and quality of the produce furnished. The association may also reject any fruit at any time, if it is unmarketable, or put up with an evident intent to defraud.

The coöperative principle of "one man one vote" is not stated in their by-laws, but as a matter of fact they vote by that method. When questioned about this, Mr. E. A. Richardson, their efficient manager and secretary, declared they hold to share voting only "as an emergency brake."

At the beginning, seventy-five farmers joined the association. So successful have they been that there are now 285 members, all of whom are required to own one or more shares. Recently the capital stock has been increased from \$1,000 to \$6,000. During the year 1911, the association sold a little over \$50,000 worth of fruit, chiefly strawberries, at an expense of only \$2,900. They employ a manager and a bookkeeper by the year and others are added during the brief shipping season.

At the present time the Association sells to commission men at ten per cent gross and commission men rebate three per cent, leaving a flat seven per cent to commission men on sales.

In addition to their marketing work, the association purchases mill-feed and other agricultural necessities for its members.

During the year 1911, the association shipped sixteen carloads of apples from Monroe county, but they were not sorted, graded or well packed. Other parties shipped eleven additional carloads, making in all twenty-six carloads from that county. The farmers received an average of thirty cents a bushel for them. Thousands of bushels were allowed to rot on the ground in Monroe county alone, because at thirty cents a bushel they were not worth picking.

"If these apples had been graded and sorted," declared Mr. Richardson, "it would have been no trouble to have gotten twice the price for them; but as long as the farmers have only the miscellaneous farmers' orchard, no results can be accomplished. The farmer must commercialize his orchard and it must come from the new spirit of coöperation."

DOOR COUNTY FRUIT EXCHANGE

Another successful coöperative fruit growers' association in Wisconsin is the Door County Fruit Exchange, of Sturgeon Bay. This exchange was organized in March, 1910, by fifty fruit growers of Door county. The object of the association was coöperation in the marketing of fruits, and in the buying of growers' supplies. The capital stock is \$2,000, divided into four hundred shares. Each member is required to purchase at least one share of stock. The exchange was a success from the first and succeeded in marketing \$25,000 worth of fruit at an expense of only \$400.00 during the first season. The exchange pays no dividends.

When Mr. A. W. Lawrence, the secretary of the exchange, was asked if there was any advantage in coöperative marketing he replied in the affirmative, saying, "Better prices are secured and the growers are not competing with each other for the best markets."

BAYFIELD PENINSULA FRUIT ASSOCIATION

The Bayfield Peninsula Fruit Association was organized in February, 1910, when the Bayfield Fruit Growers' Association was merged with it, the members of the latter association taking stock in the new enterprise. The capital stock is fixed at \$10,000 with the par value of one dollar per share. The purpose of this association is the marketing of fruit and produce and supplying flour, feed and hay to the members and the public. During the season of 1911, the new association marketed about \$40,000 worth of fruit for the members, realizing a profit of \$2,138.39.

The plan of operation is quite similar to the other fruit associations in Wisconsin. The returns on each day's sales are distributed *pro rata* in the different grades and payments are made by the association to each member accordingly. At the close of the year the surplus is paid the members as a *pro rata* dividend on their season's sales in final settlement of their accounts.

In a letter, Mr. F. Kern, the manager of the Bayfield Peninsula Fruit Association, said that the great advantages in such an association, as against the individual method were:

1. In having a quantity of fruit that could command the attention of the large dealers;
2. In being able to regulate the distribution of the crop so as to avoid congestion of any one or more markets; and
3. In encouraging the growing of a uniform standard fruit, which brought better returns from market sales.

The following communication from Mr. William Knight, the President of the Association, is of interest in this connection:

“In relation to the Fruit Growers’ Association, will say the association has been consolidated with the Bayfield Peninsula Fruit Shippers’ Association dissolved. Went out of business and all the members took stock in the Bayfield Peninsula Fruit Shippers’ Association. We did this because we thought it better to have one strong association than to have two. The wisdom of the move I think has already been demonstrated. The association works as a unit and the growers are making more money for their produce and the consumer is paying no more, I think less than before. The information we derive from the experience of each member goes to improve methods of all members. It leads to education and spurs up many to try to succeed who would be utter failures without the coaching of fellow members. I notice also that discussions in meetings lead to wise action by the association when they come to vote on the subject under consideration.”

The association deals principally with the growing and marketing of strawberries, blueberries, raspberries, blackberries, currants, gooseberries, cherries and apples. Such genuine satisfaction has been the result of its work that the membership increased in one season from 50 to 165.

The officers of the Association at present are:

William Knight, President

J. F. Fisher, Vice President

Douglas S. Knight, Secretary-Treasurer and

F. Kern, Manager.

WASHBURN FRUIT GROWERS’ ASSOCIATION

The Washburn Fruit Growers’ Association is not yet incorporated, having organized in 1911, when a few of those raising strawberries signed an agreement to market their berries and

other fruit together and to accept the returns of each day's sales as a unit.

They paid ten cents per crate for the expense of handling the fruit and almost three thousand crates of strawberries were marketed with very satisfactory results. When Mr. George F. Morgan, the manager of the association, was asked if there was any benefit in coöperative marketing, he replied:

“The chief advantage in the coöperative market in the strawberry or fruit business is, that it is absolutely impossible for each individual to place his product upon the market and receive the best shipping facilities and rates and prices without organization. We are in hopes for the season of 1912 to be more fully organized.”

WISCONSIN CRANBERRY SALES COMPANY

One of the most remarkable marketing associations in the state is the Wisconsin Cranberry Sales Company, with headquarters at Grand Rapids. This association was organized some six or seven years ago by the cranberry growers of the state, particularly those located in Wood and Juneau counties. An efficient organization for the marketing of the berries had been the crying need for many years before the growers learned how to meet it. This was accomplished in a really remarkable way by this sales company. The stock is sold at \$10 a share and every member is required to own at least one share of stock. At the beginning, every member had one vote for each one hundred barrels of cranberries marketed, but this provision was later changed to “one man, one vote,” the first provision proving unsatisfactory by giving too much power to the larger growers.

Unlike most coöperative associations, its operations are not confined to one locality or even to one county. Any cranberry grower living in the state may become a member by subscribing to the conditions imposed upon all.

The aim of the Sales Company is two-fold: (1) to sell in bulk, first grading and sorting the cranberries by placing them in the proper class, and (2) to sell off at least two-thirds of the entire yield before Thanksgiving at a fair price. This is done by keeping in close touch with the cranberry crop of the country. Experience in other coöperative marketing enterprises led them first to concentrate their efforts on the first proposition. After

a few years of work, the second proposition was carried out by the establishment of the American Cranberry Exchange, with headquarters in New York. The western branch was located in Chicago. This exchange consolidated the three great coöperative cranberry associations in America, namely, the New England Cranberry Sales Company, the New Jersey Cranberry Sales Company, and the Wisconsin Cranberry Sales Company. Although the one man one vote plan of voting is not a part of the constitution of the American Cranberry Exchange, the arrangement has proven satisfactory to all three associations. The company was organized with \$9,000 capital and is managed by nine directors, four of whom are chosen by the New England Company, three by the New Jersey Company and two by the Wisconsin Company. This exchange acts as expert advisor in helping the members to eliminate local gluts and in disposing of the crops of the three sections. All the business is handled through the exchange, which remits 80% of the returns from sales to the company. The 20% left is kept by the exchange until the end of the season, when it is properly divided after deducting expenses and placing a small per cent of the sales in the sinking fund. The exchange has given entire satisfaction and has been a success from the first. There is now more than \$20,000 in the sinking fund of the exchange, which will be used to handle the crop instead of borrowed capital previously found necessary.

That the Wisconsin company has been effective may be judged by the fact that 90% of the crop of Wisconsin is handled through this company through its agency, 33,000 barrels of cranberries were marketed during the season of 1911, returning to the 40 growers a little more than \$6 a barrel. In other words, more than \$200,000 was returned to the forty men in the cranberry business in this state—or the remarkable average returns of \$5,000 each. This fact will be more significant when it is realized that the total expenses are only from one-eighth to one-tenth of the gross receipts. Much of the success of this movement is due to the organizing genius of Mr. John A. Gaynor, of Grand Rapids, at present secretary of the Wisconsin Sales Company.

The State of Wisconsin is located in one of the finest fruit belts of the United States. Its climate and soil are well adapted to the raising of fruit. Apples, pears, peaches, plums, strawberries, raspberries and cranberries are successfully grown. The

apples of Crawford, LaFayette, and Iowa counties are among the finest grown in the United States, and yet Wisconsin does not take its place beside Washington, Oregon, Idaho, Colorado or Michigan as a fruit raising state. Why? Investigation reveals that these states have grasped their opportunities, commercialized their orchards, standardized their products and marketed coöperatively. Tens of thousands of farmers have settled in the west and hundreds of thousands of young fruit trees have been planted. The growers in some of these sections organized almost as soon as they commenced marketing their first fruit. Others organized for marketing purposes only when necessity forced them to do so.

Farmers would do well to look to the Hood River Apple Growers' Union of Oregon to see the possibilities of fruit raising in this state. This is an organization of 320 members, worth probably more than \$10,000 each. This union is engaged in the packing and shipping of apples, pears, strawberries, raspberries, cherries, and blackberries; controls the inspection of fruit; has a paid up capital of \$25,000; conducts its own cold-storage plant and manufactures artificial ice. Its constitution provides that "this organization through its board of directors, shall have the exclusive and unqualified power to market all apples grown by any of its members", it does not, however, sell any fruit for non-members.

All of the apples of each variety are pooled and each grower gets the same price for the same variety and grade. The Union handled 40,000 boxes of apples in 1910. Since their organization they have increased the price of apples from sixty cents to two dollars a box, without any appreciable difference in price to the consumers.

Every state that is pushing ahead along these lines is marketing more and more of its product through coöperative Fruit Exchanges. Coöperative marketing and successful fruit growing go hand in hand.

Wisconsin will never stand out as fruit growing state commercially until the old-time farmer's orchard, which often has a half-dozen different kinds of apples growing on one acre of land, is eliminated, the fruit standardized by localities or counties and coöperative marketing occupies a larger place in horticulture.

A step in this direction has recently been taken by the State Horticultural Society in the establishment of fifteen trial or-

chards, which have been placed at the following points: Wausau (Marathon county), Poplar (Douglas), Maple (Douglas), Manitowoc (Manitowoc), Barron (Barron), Whitehall (Trempeleau), Sparta (Monroe), Gays Mills (Crawford), Lake Geneva (Walworth), Sturgeon Bay (Door), Milwaukee (Milwaukee) and one to be established in Sauk county, probably at Baraboo.

With all the farmers in one locality growing uniform fruit, experience shows that the next step will undoubtedly be the establishment in these localities of coöperative fruit exchange by the growers themselves, through which all the fruit will be sorted, graded, packed, and marketed in bulk. The result will be better prices and greater profits.

CO-OPERATIVE WAREHOUSES

In order to understand the possible future scope of coöperation in this state it will be necessary to note the extent of the potato and tobacco industry.

POTATOES

The production of potatoes reached a high point in this state in 1899. The census report for the following year shows that 145,463 or 85.7 per cent of the farmers raised potatoes. These farmers report a total acreage of 256,931 and a total produce of 24,641,498 bushels at a total value of \$5,826,552; an average yield of 95 bushels per acre, an average price 25 cents per bushel.

The change during the last 10 years in the production of potatoes is also important. The number of farmers reporting potatoes increased from 145,463 in 1899 to 158,658 in 1909, or more than 13,000. There are now 89.6 per cent of the farmers in the state reporting the production of potatoes.

The percentage of increase in the acreage devoted to potatoes was about the same as the percentage of increase in the number of farms, the number of acres devoted to potatoes in 1909 being 290,126. From this it is clear that at both dates the average number of acres of potatoes per farm was less than two. The increase in the quantity of potatoes produced more than kept pace with the increase in acreage, the production in 1909 being 31,962,977 bushels, or 110 bushels per acre. According to the census the value of potatoes produced in 1909 was \$7,915,763.

These figures prove conclusively that potatoes are a very important farm product.

The industry in Wisconsin is concentrated in certain sections where the soil is especially adapted to the production of potatoes. The bulletin, published by the Division of Agriculture of the Census Bureau, shows that certain counties in the state reported very large acreages and very large quantities of potatoes. It would be possible to secure information showing the number of farmers reporting in each county, and likewise the total value of the potatoes.

The census of 1910 shows that some 9,000 farmers produced tobacco in 1909, planting an average of slightly more than four acres each. The average crop was about 5,000 pounds, and brought an income of approximately \$400,00.

Wisconsin farmers have pushed ahead very rapidly during the past five years in the building of coöperative warehouses for the storage of their potatoes and tobacco. One community seems to take its inspiration from another which has made a success of such an organization. No state agency has lent a hand in any way and yet the farmers have successfully placed warehouses at many of the principal potato and tobacco centers of the state. Some of these are located at the following places: Waupaca, Rosholt, Stevens Point, Necedah, Coloma, Independence, River Falls, Wausau, Wautoma, Stanton, Stoughton (tobacco) Prescott, Hulbert, Chetek, Ellsworth, Westby, Almond, Ashland, Sturgeon Bay, Bayfield, Sparta, Wonewoc, Reedsburg, and La-Valle.

ORGANIZATION

Some of these are stock companies and some are purely coöperative. The general plan of organization is somewhat similar to the farmers' elevator companies, in that both make the number of shares about equal to the number of farmers who are expected to join, and then fix the price of shares accordingly. The par value of warehouse shares in Wisconsin is between \$50 and \$100. The coöperative warehouse companies charge so much a bushel for handling the members' potatoes, and the rest is returned to the members in proportion to business. This flat charge per bushel to members pays interest on outstanding stock, sets up a depreciation fund and establishes a surplus. If any surplus remains after these funds have been supplied, the

general rule is to divide the balance among the members in proportion to their business with the association, in some instances, however, the balance is divided among the members in proportion to the shares held.

This method is strictly coöperative and it has usually resulted in holding members to their own company; for they know that they receive "all there is in it." And yet some associations have had to further protect themselves from the selfishness of their members by a penalty clause. This clause incorporated into the by-laws provides that a member may sell his product to another house for a higher price than the market price paid by the farmers' warehouse providing that it is weighed and graded by the farmers' warehouse, and one or two cents a bushel is paid back to the farmers' organization for protection.

This device has been found to be most effective. The more prices were raised, the more the farmers gained; and at the same time their house was still kept up ready for business. This plan is still very beneficial where farmers have learned the value of coöperation. Such a penalty clause has long been used effectively in both Ireland and Denmark.

The question of the legality of such a provision has come up, owing to a recent decision in Iowa which held such a clause to be in restraint of trade. It is difficult to understand how such a provision could be so held unless there was a technical error. In order to make more certain regarding the legality of this important provision, the opinion of the attorney-general was asked. He replied April 23, 1912, as follows:

"I am of the opinion that it would be legal for a farmers' warehouse to require its members in case they patronize a private warehouse which raises the price of potatoes over the price paid by the farmers' warehouse in order to take the trade from the latter, to turn over a certain percentage of the increased profit. Such requirement should be like those already discussed, contained in the articles of incorporation, subscription agreement and by-laws, so that it would become part of the contract of membership. If so contained and properly framed, I see no reason why a claim based on its violation could not be enforced in a court of law."

From numerous letters which have been sent to us the results have more than justified the action taken by the farmers. It is a safe estimate to say that five cents a bushel represents the increased profit realized by the farmers, selling to the wholesalers and consumers in the cities through their warehouse operations. It stands to reason such would be the case. One farmer alone has not enough potatoes to make it worth while for a wholesaler to do business with him. The individual farmer usually sells his crop to the small local dealer, who in turn disposes of it to a jobber. Neither the producer nor the consumer benefits by such an arrangement. The potatoes pass through too many hands. How different the situation when farmers combine their crops, put up a warehouse, and deal directly with the wholesaler, the retailer or consumer.

A leader of one of the strongest farmers' warehouse organizations in the state, recently said that the farmers' warehouse had wrought wonders in his town and had "made a little dead-to-the-world-village the mecca for farmers miles around."

Another keeps a day book and has this entry on Feb. 6, 1912. "Potato prices to-day are 75 to 80 cents in Reedsburg, 75 cents in Mauston, 85 to 90 cents in La Valle." At this time neither Reedsburg nor Mauston had farmers' warehouses.

When we realize that the potato crop in Wisconsin in 1909, was more than 31,000,000 bushels, we may readily see that a saving of even one cent a bushel would mean more than \$300,000 of clear gain.

In other words, if Wisconsin farmers would coöperate, and market their own potatoes, figuring three cents a bushel as a conservative saving to them, they would save nearly one million dollars a year.

The potato districts of Wisconsin are concentrated in three sections of the state: in Barron, Chippewa and Dunn counties in the North-western portion; in Marathon, Shawano, Wood, Portage, Waupaca, Juneau, Adams, Waushara, Marquette, Sauk and Columbia counties in the central portion, and in Milwaukee and Waukesha in the south-eastern portion of the state. There is no more promising field for coöperation among farmers than in the counties enumerated above and indicated on the accompanying chart. See Chart F.

A few tobacco warehouses have been organized by the farmers in Dane, Rock and Vernon counties. One at Stoughton, in Dane county, seems to be particularly successful.

In addition to the marketing of potatoes and tobacco, many of these organizations unite in buying fertilizer, seed, machinery, binder twine and other supplies for the farm. This phase



Chart F.

of cooperation has been more common about the warehouse than about the creamery, because of the storage facilities of the former. A number of the warehouses have established a flourishing business along this line, the saving being very considerable.

With such a field for activity, it seems as if the state should recognize this great opportunity and assist the farmers in marketing more profitably.

CO-OPERATIVE ELEVATORS

About forty of the sixteen hundred coöperative elevators of the middle west are located in Wisconsin. It is impossible to give the exact number as they do not report to any state agency. However, a glance at the accompanying chart will show the locations of thirty-eight of them. See Chart G.

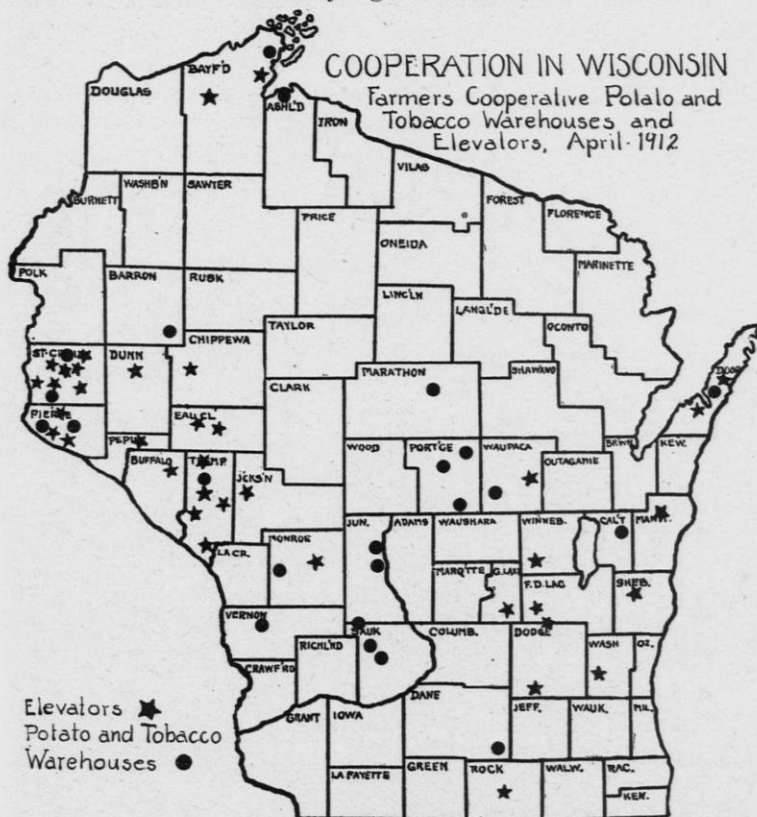


Chart G.

LIST OF FARMERS' CO-OPERATIVE ELEVATOR COMPANIES IN THE STATE OF WISCONSIN

Post Office	County	Name
Arcadia	Trempealeau	Farmers' Shipping Association.
Baldwin	St. Croix	Equity Produce Company.
Blair	Trempealeau	Blair Farmers' Exchange.

- Bloomer—Chippewa—Bloomer Produce Company.
 Brandon—Fond du Lac—Farmers' Elevator Company.
 Cylon—St. Croix—Cylon Farmers' Elevator Company.
 Diamond Bluff—Pierce—Farmers' Elevator Company.
 Durand—Pepin—The Pepin County Coöperative Company.
 Eau Claire—Eau Claire—Farmers' Coöperative Products Company.
 Eleva—Trempealeau—Eleva Farmers' Equity Exchange.
 Elkhart—Sheboygan—Farmers' Mercantile and Supply Company.
 Fall Creek—Eau Claire—Fall Creek Farmers' Grain and Produce Company.
 Galesville—Trempealeau—Galesville Farmers' Exchange.
 Hartford—Washington—Farmers' Elevator Company.
 Hixton—Jackson—Farmers' Grain Mercantile Association.
 Hudson—St. Croix—Farmers' Elevator Company.
 Independence—Trempealeau—American Society of Equity Exchange.
 Iron River—Bayfield—Farmers' Produce Exchange.
 Janesville—Rock—Farmers' Elevator Company.
 Kaukauna—Outagamie—Kaukauna Farmers' Elevator and Produce Company.
 Manawa—Waupaca—Farmers' Elevator Company.
 Maribel—Manitowoc—Farmers' Elevator Company.
 Markesan—Green Lake—Farmers' Elevator Company.
 Mondovi—Buffalo—Mondovi Equity Exchange.
 New Richmond—St. Croix—Farmers' Elevator Company.
 New Richmond—St. Croix—Farmers' Grain Company.
 Prescott—Pierce—Equity Exchange Company.
 Richwood—Dodge—Farmers' Elevator Company.
 River Falls—Pierce—Equity Elevator and Warehouse Company.
 Roberts—St. Croix—Farmers' Elevator Company.
 Rush Lake—Winnebago—Farmers' Grain and Supply Company.
 Sawyer—Door—Door County Equity Elevator Company.
 Stanton—St. Croix—Stanton Farmers' Elevator Company.
 Sturgeon Bay—Door—Equity Elevator Company.
 Tomah—Monroe—Farmers' Coöperative Elevator Company.
 Washburn—Bayfield—Chequamegon Bay Farmers' Elevator Company.

Waupun—Fond du Lac—Farmers' Elevator Company.
Wheeler—Dunn—Farmers' Coöperative Produce and Supply
Association.

Most of these have been organized within the past ten years. These elevators were organized primarily for defense against the extortions of combines in the grain business.

E. J. Dunn, former Secretary of the Iowa Coöperative Grain Dealers' Association, has said: "Before 1905 the grain business was the most dishonest business ever conducted, not excepting even the oil trust."

We beg leave to quote from a recent article on the Principles of Coöperation, written by Mr. C. B. Williams in *The Farmer*, published in St. Paul.

"To understand how this oppressive monopoly could have been built up it is necessary to go back and see how the line houses had before this crushed out most of the independent dealers. The Peavy Company, for instance, between '77 and '98 secured control of eight hundred elevators; Armours had seven hundred; Councilman one hundred fifty and so on. The method was this: Charles Peavy for instance, would go into a town and buy out or build an elevator for \$5,000. This would be put into the Peavy Elevator Company for \$11,000 of its stock. Five thousand dollars of this stock, enough to cover the real cost, would be sold out to outsiders, the six thousand dollars or controlling interest remaining in the hands of the company. Thus, in a little over twenty years, they secured control of eight hundred elevators and four millions eight hundred thousand dollars cash without the investment of a dollar.

Then came the crushing out of the independent competitors. This was accomplished by putting down prices when there was no competition, which enabled them to pay prices above the real value where there was competition. Of course, the *farmers played into their hands*. When the independent dealer at Le Mars, for instance, stubbornly fought to keep his business, the Peavy Company raised prices and every farmer along that line hauled his grain to the line house. The small man was soon crushed and then

¹ We are indebted to the *American Coöperative Journal* of Chicago for this information.

for fifteen years the farmers in that locality took what the line house chose to give them.

So it has gone on, until the independent dealers having been crushed and the line houses having combined to fix prices, the farmers were mercilessly exploited. Not infrequently the profits made in one season would have built and equipped all the elevators."

With an immense storage capacity, estimated at fifty million bushels for wheat alone, and local prices in the hands of the line elevators, the only recourse open to the farmers was to ship to a market where there was competition. But here they soon found that the great line elevator companies had much to say as to railroad policies in regard to individual shippers. Soon a remarkable shortage of cars was felt by the independent shipper. The railroads favored the big combines by granting them rebates. On this point Mr. Williams says,¹

"At that time, the conception had scarcely dawned that the railroads are the peoples highways, to be run for the interest of the public. Every road had its rebate-takers who got a rake-off of one cent per bushel on all grain shipped by anyone over the road. The Peavys received rebates from the Omaha and Northwestern railways from Denver to the Twin Cities."

But even if the independent shipper did secure a car and ship it, the car was side-tracked and when it did finally arrive at the market terminal, no commission house would handle it. Why? Because the line house buyer had sent word to "head-quarters" giving the number on the car shipped and no commission house dared to touch it. And this less than ten years ago! With such perfect control of the business, the combine took the next step and divided the business in each town. One of the members of the combine admitted in court that of 115 places in Minnesota, only three were not controlled by the combine. The control was even more absolute in Iowa and Illinois. Here we find a repetition of the old struggle, the farmers fighting alone against the line companies merged into a combine working with the railroads and commission men, we also find the same disastrous results which always have followed the struggle between the organized and unorganized.

¹The Farmer, April 20, 1912.

Necessity forced the farmers of the Northwest to cooperate in the shipping of grain. At first, they combined their efforts locally. A few of the more progressive communities organized elevator companies and built elevators of their own. Some of these were organized on real cooperative lines, but most of them were stock companies. True cooperation was then not well understood.

At the present time, the most popular method of capitalization in use by the cooperative concerns is for the association to adopt a hundred dollar share as the basis and then limit the ownership to one share for each individual. Flexibility may be secured by the placing of two or three shares in the families of men who are financially able, if there is need for such additional shares of stock in order to capitalize the plant after one share has been taken by the head of every available family. The present tendency is toward the larger share, and then if there are a few men who cannot pay in full in advance, an arrangement can usually be made for a series of partial payments, so that eventually all will own an equal share in the concern. This plan has worked very successfully.

The fight, especially in Iowa and Minnesota, was a bitter one. The big combine, with their millions raised prices above the market value at every place where the farmers had organized, as they are doing in many places in Wisconsin to-day in the case of farmers' warehouses. In many cases, they did their work well and succeeded "on account of the shortsightedness of some farmers, who sold out their own permanent interests and their neighbors for a cent or two on the bushel. Some of the biggest kickers about former conditions were the first to drive over to the farmers' competitor when the price was raised."

Little by little, the farmers saw it was absolutely imperative for them to stick together, because if they could control the source of the supply, the old line combine with all its power was unable to injure them, except indirectly. At first, much difficulty was experienced from the railroads and in getting their grain marketed by the frightened commission men. But by joining they secured a volume of trade large enough to make it worth while for commission men to handle without any fear of the consequences. As a result, there is to-day no such discrimination against the farmers' cooperative elevators because sixteen hundred elevators and two hundred thousand

grain farmers combined, have too much power. They have met combine with combine. The railroads no longer favor the old line elevator companies by side tracking, short carrying and rebating.

In most states railroads are controlled by the reciprocal demurrage laws. Wisconsin has not given so much attention to this legislation primarily because the grain industry is not relatively so important here as in other states, but a step was taken in this direction at the last session of the legislature (laws 1911 ch. 358).

Another thing which needs to be considered is the Anti-discrimination law, which will effectively prevent a line company robbing a community without competition in order to crush out the farmers' companies elsewhere. More attention will be given to this feature of the law later.

"During the coming few years two lines of action will be necessary in the grain growing states. The first is that the sixteen hundred local companies must be increased to probably five thousand and this movement should extend into all parts of the country where grain-growing on a commercial basis warrants the building of a separate elevator. The second is the establishment of a Farmers' Co-operative Grain Growers Exchange. This organization should have charge of the marketing of the grain of all the local elevators. If this were done the value to the farmers would be measured in millions of dollars. The cost of marketing would be greatly reduced and manipulation by such men as Armour, Leiter, Hutchinson, Sully or Patten would be impossible. It will not be necessary to take up consideration of the question of ownership of flour mills until the farmers have completed the movement which has to do with the storing and marketing of the grain." (1)

Wisconsin has not taken the lead in the coöperative elevator movement because of the relatively small amount of grain produced in the state. However, some parts of the state along the Minnesota border and along the Green Bay and Western Railroad present, at the present time, a splendid field for such work. It is only necessary to mention that a coöperative asso-

¹J. L. Coulter, *Coöperation among Farmers*, pp. 129-130.

ciation which pays the current rate of interest on the outstanding shares of the stock and, after laying aside a small per cent for a sinking fund and a surplus, turns the rest back to the patrons in proportion to the business done, is preferable to a joint stock company, which aims always to pay big dividends to its shareholders. The history of farmers' organizations prove conclusively that the former brings contentment and success, while the latter brings misunderstandings and disaster.

CO-OPERATIVE MARKETING OF EGGS

In an earlier chapter, we described the success which had been attained in Denmark since 1895 when coöperation was introduced in the marketing of poultry products. Due to this form of organization, the value of their export trade rose from about \$2,000,000, in 1895, to over \$5,900,000, in 1908, the total number of eggs imported into England from Denmark in the latter year being 422,000,000. Profit in the poultry business is largely a question of marketing. More attention should be given to the marketing of poultry and eggs in Wisconsin.

The poultry industry is increasing rapidly and is assuming large proportions. The efficient marketing of poultry and eggs becomes important when we realize that the annual value of these two products is considerably greater than that of tobacco, or potatoes. The United States Census for April, 1910, reports 9,433,110 fowls on 163,107 farms, valued at \$4,468,703.

The farmers of Wisconsin will be interested in an egg marketing association at Dassel, Minnesota. This association was organized by 70 farmers some three years ago. They followed largely the Danish plan of collecting, sorting, grading and packing. Each member signed a contract not to bring in eggs over seven days old, to put them in carton boxes, containing one dozen eggs each, stamped with the producer's number and the date. The eggs in each carton are required to be of uniform size and color. The very small and the very large eggs are not marketed. These eggs are then taken to the manager of the association, who disposes of them directly to the retail grocery stores in the Twin Cities. He is paid one cent a dozen for his work. The association guarantees each carton in a printed form on the box as follows:

"Eggs in this package, if they have our trade mark on them, are guaranteed to be strictly fresh, clear and uni-

form in size; and if found otherwise, we wish you would do us the favor to report it, giving number found on egg or carton and such eggs will be replaced free of charge."

The farmer who sends the bad eggs can be easily detected by his number and he must make good the loss, and in addition pay a fine to the association to pay tracing expense and any injury done the association's reputation. In case the offense is repeated, the offender is dropped from the membership.

What have been the results? During the first year, the egg-selling department handled 49,019 dozen eggs, securing an average of five cents a dozen more for their product than was paid for the miscellaneous eggs, or an average of over \$22 per member.

The second year, the association shipped 60,000 dozen eggs with the same success, while the Dassel Produce company (a private concern) shipped 120,000 dozen more in carton box lots. In all, 180,000 dozen eggs were sent from this little town during the year ending December 31, 1911, for which these progressive farmers received nearly \$50,000 in cash or \$9,000 more than they could have received under the old system, whereas two years before only enough eggs were taken in trade at the village grocery stores to supply the 500 people living in Dassel. Two hundred fifty members now belong to the organization. What has been accomplished in this little town may be worked out in every progressive community in Wisconsin.

So far as we have been able to learn, the Blue Mounds Egg Association of Blue Mounds, Wisconsin, deserves credit for being the first and only association of this kind in the state. It is small, but it has in it great possibilities. A letter from Charles I. Brigham gives this information regarding the association:

"Our Egg Association is not extensive. Last year a few of us began shipping eggs together to a Milwaukee grocer. The eggs were brought to me and packed here by my housekeeper.

"This year four of us are shipping together, but now each one makes up and fills his own cartons and brings them here ready to put into the case and ship—thus saving work by my housekeeper. Each carton bears the name of the association and of the member filling it.

"Last year we paid the members for the eggs the price

that one of the local stores paid in trade and towards fall one cent above that, and at the end of the season each member received 6% additional. At the store mentioned the price in cash would be 2½ cents per dozen less than trade.

“At this time of the year when all eggs are fresh, the eggs may (and in April did) net the association less than the association pays its members for them.

“A larger association would require some one with time to run it. This little association almost runs itself.”

The association issued the following report for 1911 to each of its seven members:

BLUE MOUNDS EGG ASSOCIATION

Eggs Shipped in 1911

Received for eggs shipped Horne Bros. Co.....		\$344.52	
Received for stamps and pads.....		.99	
Total receipts		\$345.51	
Paid members for eggs.....		\$302.60	
Paid for stamps, pads, ink.....	\$1.21		
Paid freight	3.73		
Paid postage .....	.99		
Paid crates and cartons.....	14.57		
Paid miscellaneous	2.78	23.28	
6% dividend		18.16	
Cash on hand.....		1.47	
			\$345.51
Members		Paid for Eggs	Dividend
Chas. I. Brigham.....		\$47.95	\$2.88
Kate Cunneen (Palmer).....		88.67	5.32
Daisy Cunneen		41.77	2.51
Mrs. Robt. Helmenstine.....		23.17	1.39
Mrs. Jacob Tollen.....		33.14	1.99
Mrs. C. J. Dagenhart.....		7.65	.46
Mrs. Anton Dokken.....		60.25	3.61
		\$302.60	\$18.16

This association differs but little from the Dassel plan or that followed so successfully abroad. All that is needed to-day in the different farming communities of this state is the conviction that what has been done elsewhere, can be done in Wisconsin. As Alfred Carlstad, of Dassel, says: “The hen always does a good job laying a fresh egg, and it is up to the producer to see that it reaches the consumer while still fresh.”

Marketing eggs by the individual method has been tried and found wanting, and coöperative marketing pays. It is not hard, therefore, to see which policy should be followed in the future.

Coöperative marketing of eggs has succeeded and will succeed if proper business methods are used.

MUTUAL TELEPHONE COMPANIES.

The last ten years have witnessed a very remarkable increase in the number of telephones used in the rural districts. Their work could not be done by big line companies. As a result the farmers themselves have organized mutual telephone companies in many communities.

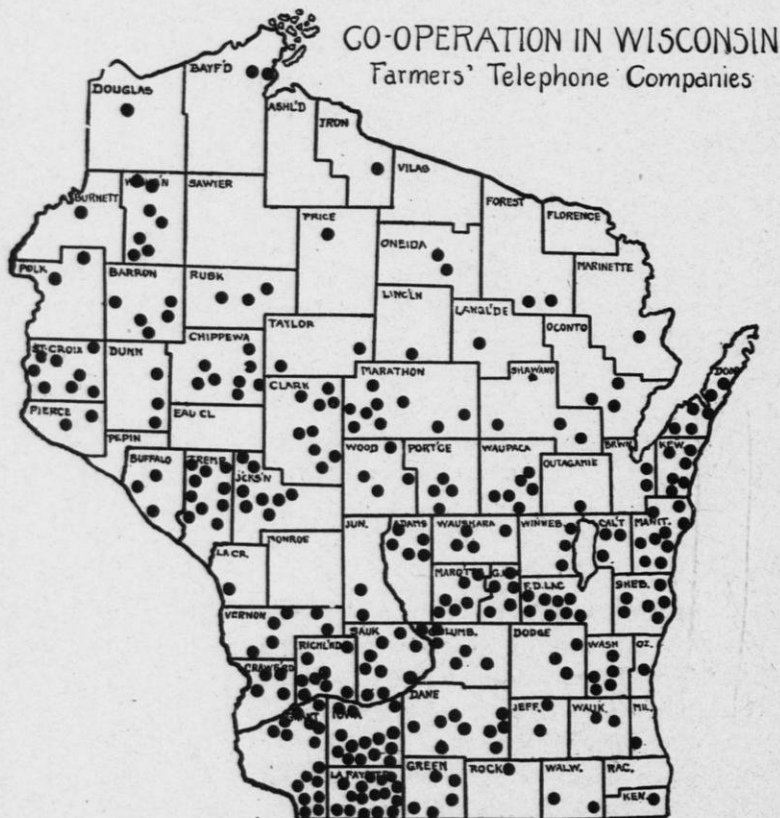


Chart H.

Those in a community who desire a telephone line form themselves into an association, (generally incorporated) and pay in a membership fee, usually \$20 to \$25, which is placed in the construction and maintenance fund. This fee is supposed to cover the initial cost of construction and installation and leave

a balance for repairs and taxes. Usually no reserve fund is provided, the membership fees being used to cover any expenses, repairs and maintenance during the year. Generally no rental is charged, as assessments are levied on the members to meet extra expenses.

The growth of these mutual organizations tends to show not only another phase of the expensive coöperative movement among farmers, but also the spirit of a new progressiveness on the farm. The lonely and isolated farm is fast disappearing from our modern life and the telephone has been no small factor in bringing about this result.

In 1912, 309 mutual telephone companies in Wisconsin supplying telephones to 21,049 rural families, reported to the Railroad Rate Commission.¹ See Chart H. This makes an average of 68 members in each of these associations.

Unfortunately mutual telephone companies are not required to report to the Railroad Commission unless a rental is charged to nonmembers. But little information is, therefore, available regarding the detailed workings of such companies. Enough of them have however reported to show the great need of (1) a better system of audit, (2) a more satisfactory and permanent plan of organization, providing among other things, for a rental charge to all subscribers, sufficient to pay expenses, taxes, depreciation and a small reserve fund for extension and unforeseen contingencies.

¹Acknowledgment is due the Railroad Rate Commission for the information embodied in the accompanying chart.

CHAPTER IV.

LESSONS AND PROSPECTS

And now we have come to the point where we may summarize the meaning of coöperation for the farmers of Wisconsin.

The great aim of coöperation is to increase production and to get the product into the hands of the consumer as economically as possible. But getting the product into the hands of the consumer is a very intricate process where growers and consumers are as far removed as they are at present. The original producers cannot attend personally to all the details of the manufacture, transportation and marketing of their output. They can, however, hire competent men on a regular salary to take care of some of these phases of production and marketing. They can only afford to do this, however, by coöperating with other producers so that they will be able to raise the necessary capital, by contribution or joint loans, to employ competent men to attend to their interests.

Secretary James Wilson of the Department of Agriculture, estimates that only 46% of what the consumer pays for his product gets back to the farmers. It is not essential to our purpose that his figures be absolutely accurate. The main question is whether the farmer is receiving all that rightfully belongs to him or whether he should organize more thoroughly and receive a larger ratio of the retail price. If the present charges of manufacturing, distributing, and retailing farm products by private concerns were not excessive, there would be no object in changing the system. It is evident that 50% of the selling price is a high rate to pay for putting the goods into the consumer's hands. Experience has already gone far to show that coöperative agencies give improved service at a diminished cost. How important is a further application of this principle may be judged from the fact that the present annual retail value of farm produce in this country is about \$9,000,000,000. Assuming that half of this represents the cost of marketing under the present system, let us suppose that only 5% of the other half could be saved to them by hiring their own coöpera-

tive factory managers and sales agents. That would mean a net gain of \$225,000,000.

It is perfectly legitimate to dwell on the reduction of costs, because coöperation can unquestionably accomplish more through the savings which producers may realize by conducting their own distribution, than through increases in the wholesale prices obtained. The latter, however, is worthy of consideration. As already intimated, it is a matter of the best adjustment of supply to demand by marketing commodities where and when they will bring the largest net return. When freight rates vary with distance, it is partly a matter of supplying a given market from the nearest producing center. But it is impossible deliberately to adapt supply to the changeable conditions of the markets, and incidentally cope with the railroads, without a strong centralized control over the disposition of that supply. This means coöperation in large units if not throughout an industry. The smaller local groups may do something toward eliminating middlemen, but they can do almost nothing toward the scientific distribution of their output without some commonly recognized authority to decide where and when the local product shall go.

CREDIT—EVOLUTION

But the above mentioned holding of goods for an advantageous market, involves a new departure in coöperation which is only just beginning to receive the attention its importance deserves. Whoever controls a commodity in the expectation of exchanging it favorably, must in some way receive from society enough to live on and, perhaps, also prepare for the next season's crop. This is true of an individual or of an association. But in return for these advances the business world customarily requires the holder to pledge his product as security for the value advanced. In other words, the nominal owner secures "credit" and becomes only a conditional or partial owner. He loses title, not to the goods, but to some of the value they will command when exchanged. His title still enables him to say when the exchange shall be made.

Heretofore, the farmers as a class have elected to sell their commodities at once rather than to hold them for the "timely" market. The buyers (speculators) have done the holding and secured the "credit" to enable them, not only to advance the

purchase price to the farmers, but to pay their own running expenses meanwhile. As a matter of fact, they have secured their credit largely from the banks, who gather up in small amounts and control most of the "liquid" capital and reloan it at nominally moderate rates, for three or four months on such commodities as the farmer raises. The people thus furnish the basis of credit through their deposits of actual cash in the banks. The banks, instead of advancing it to the actual producers have for the most part turned it over to market specialists, who have bought outright with it the agriculturalist's claims on that future "timely" market, generally at a sharp discount.

European countries have recognized and met this situation by the establishment of coöperative credit associations, by which the different individual farmers have pledged their potential joint credit. By means of these associations, they have created "actual" credit for all at such favorable terms that rural life has been regenerated and reforms made possible because the control of farm credit has again been placed in the hands of the farmers.

But what necessary function have these middlemen speculators fulfilled that they should thus intrude in the marketing process? The answer might be given that they have been able to offer the banks a tacit guarantee of knowing when to sell to the best advantage and thus how to get a price that would insure the widest margin of protection to the banks on their loans. The better the knowledge and the better the protection these isolated farmers can offer to direct their original sales in a "timely" market, just as they have already banded together in hiring experts to place their quick-money sales, the greater will be their prosperity. If they can, will the banks have any excuse for preferring the independent speculators to the salaried experts? It is just these questions which are now engaging the attention of Congress, the American Bankers' Association and the Southern Congress of Commercial Clubs, as well as numerous financiers and economists.

RECIPROCITY

The basic assumptions are (1) that the total cost of getting agricultural products into the consumer's hands may be substantially reduced by the elimination of superfluous and un-

necessary high-priced middlemen and (2) that the benefit of the resulting saving in effort and money is largely appropriated by the producers. This latter assumption is probably valid to the extent that the producers are organized and the consumers unorganized, for if the latter could act together they could say to the farming element, "Here, you are effecting enormous savings by extending your control over the distributive and manufacturing processes. We demand a share in these savings through the medium of price reductions." In fact it is not at all impossible for the consumers to organize their own purchasing agencies which shall meet the producer half way. We should then indeed have something approaching an "industrial democracy" with three distinct elements in primary industries: the producers, the railroads, and the consumers. The division of labor would still continue, but with fewer independent units.

The mere suggestion of organizing consumers recalls the fact that a generation ago the granges attempted this very thing and that one decade saw the brilliant rise of the movement and its utter collapse. Whether the causes of that failure were of a temporary or permanent nature, is not here of moment. The point to be emphasized is that no matter how much the farmers unite both as producers and as consumers, they cannot expect that the rest of their countrymen are going to stand idly by and see them appropriate all the benefit in both directions from the resulting savings in commercial operations. Both producers and consumers of any and all kinds of wealth may and ought to agree that the mere process of reaching each other shall be made as simple and direct as possible, and that neither element can go all the way to meet the other nor can it take to itself all the savings.

It is, of course, a venturesome thing to predict how far co-operation may be extended in the future. But a review of the apparent causes for its slow adoption and many failures will throw some light on the future.

Americans have enjoyed the richest endowment of natural resources man ever inherited. The supply of exploitable wealth seemed boundless and only recently have we paused to ask whether the resources of the country are really unlimited. We have "subdued nature" in a destructive, wasteful manner. The natural accompaniment of this rampant spirit

has been an individual prodigality and wastefulness proverbial in Americans. The farmers have by no means escaped the contagion of this influence; in fact, in some respects they have been typical offenders. On the whole they have had plenty of "easy money" and they have made little serious effort either to increase gross income or to save. But a new era seems to be dawning upon the rural life of our country. Soil depletion and erosion have so cut down crop-income that it has begun to affect money-income, and these losses, while not entirely permanent take time to repair.

Meanwhile any idea that really means saving and economy gets a more attentive ear than formerly. Not only that, but when the farmer's own initiative has largely achieved, soil-repair, the demand will still continue from a rapidly increasing population for efficiency in the production and distribution of our food supply. In the second place, undisciplined and grossly unintelligent individualism influenced American thought during most of the nineteenth century. So for a long time our farmers who had been affected by the spirit of individualism preferred to place themselves at the mercy of a chaotic impersonal market, rather than to submit to those restrictions in marketing which coöperation involves. They preferred the tyranny of events to the personal supervision of hired agents, whose instructions on the "placing" and "timing" of sales they would be obliged to follow. Fallacies like these are hard to overcome but not incurable. Farmers should see that all life is teamwork; that others must be consulted and united with.

The past century in this country was our age of pioneering, when population was spread out over vast areas and the means of communication and intercourse were meager at best. Geographical isolation and crude conditions of pioneer life are the natural enemies of industrial coöperation, but thanks to the rapid growth of transportation agencies, they will never be such an obstacle in the future as they have been in the past. But for any thoroughgoing, lasting coöperation, especially among the members of the community as a unit, men must be close acquaintances as well as near neighbors. Yet the conditions of settlement in our country have in many sections opposed just such friendly confidence. The mixture of races, different tongues, customs, traditions, religious prejudices have

all tended to hinder the development of coöperation, industrial and social.

Whatever limits friendly understanding and intercourse affects business possibilities and these subtle influences should not be overlooked when dealing with coöperation. The adoption of the English language as our common tongue leads us to judge each other by our motives instead of by our manners, and growing determination to think for ourselves instead of letting religious institutions and mercenary politicians think for us, will brighten the hope for coöperation.

Another reason for the slow growth of coöperation in America, has been the mobility of population. When land was cheap, and competing opportunities called to the farmer from many directions, a roving habit was encouraged. Not knowing how long they would remain in one place men were reluctant to cast their lot with those organizations that required investment or the assumption of joint obligations. But as the country becomes settled and its various sectional advantages become known, this adventurous restlessness will give way to a desire for a permanent location. The introduction of greater comforts and the development of non-industrial interests in farm life, and the increasing realization of the disadvantages of the city will discourage the shifting of population from country to city and will encourage well-knit, harmonious rural communities.

Another difficulty in the way of coöperation has been the lack of adequate machinery for the work. If organization means anything, it means that the many must delegate power to a few of their own number to carry out the expressed purpose of a majority, the few being responsible in the sense of having to surrender that power if they do not use it. Where adequate authority is not given to the executive body, or where individual members by refusing to contribute their promised share of output or patronage, the organization is doomed for lack of physical vitality. Not only, then, must the responsible few be provided with adequate facilities to handle the traffic promised, but the obligation of those who promise it should be reduced to the form of legal contract (e. g. the milk supply contracts) so far as possible. In both these respects progress has already been made resulting from experience as to the capital requirements of enterprises of various sizes and the systematizing of members' rights and

duties. Standardization, the present day slogan, will take on its deepest significance when applied to coöperation.

But finally, perhaps the most frequent obstacle to coöperation where it has actually been attempted, has been the lack of business wisdom among the farmers themselves. This has been nowhere more conspicuous than in their choice of men to conduct the enterprises they have undertaken. Generally these employees have had work enough to do so it was necessary to compensate them. But too often, even when these men were elected on their merits and not on exterior blandishments, they have been incompetent because the compensation allowed would not command an efficient person. The coöperators have fixed their gaze so steadfastly on the first cost of the management of their enterprises that they could not focus on the larger issue of "net cost." The fact that the manager was expected to take over the duties of half a dozen middlemen seems quite generally to have been overlooked. The result of this policy has been not to reduce the sum paid out as earnings to those independent agents as compared to what would induce one real live man to take over their work, but to reduce it far below what would command even one competent man. Many failures are due primarily to this cause. The lesson is that not even a coöperative society is free from the necessity of paying a competitive price for the important human factor in its work.

Where the middleman is really superfluous or his charges exorbitant, he will ultimately disappear, but not until the coöperators have learned to pay the necessary price for his salaried successor.

If the foregoing teaches anything, it teaches that success in any line of endeavor is a matter of time at best. But what the rate of progress is, depends upon the confidence of the persons interested. There is a limit to what human effort can achieve at any hour or any particular day, but whether that limit is reached depends on the will and courage of those who have it in their power. So when we are asked "How fast will coöperation come?" we can only reply by another query: "How strong is the faith of the farmers?"

THE PRACTICAL APPLICATION IN WISCONSIN

The facts revealed seem to indicate that the time has now arrived for the state of Wisconsin to take an active interest in directing the coöperative movement within its borders. Failures in the past in no wise argue against this proposition but rather are a strong endorsement of it, for it shows that the people have long felt a need and have been striving in an unorganized way and without official recognition to satisfy it. Wisconsin has passed through the pioneering stage of industry into one that is more mature, better seasoned, more interested in common projects, in a word more like that where coöperation has become well established, and what is now needed is official recognition and central organization.

How shall the state organize its work?

The answer must depend directly on what we mean by the state's direction of coöperation. Let us say that we mean "helping men to help themselves" by putting them in touch with information and knowledge of proper methods not now afforded. The state will lose if it attempts to force coöperation on the people of Wisconsin. To be successful the movement must necessarily be voluntary and self-controlled. This dissemination of knowledge and moral support is already being ably carried out in several lines of work by the University of Wisconsin, and it would seem that the University is the institution that can render the greatest service.

The next question that naturally suggests itself is this—In what department of the University should this work be placed? The principles of coöperation are not merely for the benefit of the farmers. They apply just as effectively to those living in the towns and cities. Coöperation attacks the high cost of living and this is not a local problem. As a matter of fact, the city workers are even more vitally affected than those on the farms, and because it is a big universal problem, the Extension Department of the University seems the place where this great work can be carried on most successfully. Hence, we suggest that a new Division of Coöperation be created in this Department under the general supervision of the Board of Regents, by whom this new Director should be appointed.

It may be argued by some that the Extension Department of the Agricultural College is the place for this new Division. In

this belief we cannot agree. To be effective, the division should not only be of service to those of our people who live on the farm and in the small town, important as this field is, but such a division should minister also to the 900,000 of our people who live in cities of 2,500 and over. Considering their need and the fact that even less has so far been done to enlighten them than the farmers, it seems evident that the work should be handled, not by the Extension Division of the Agricultural College, which is primarily and rightly concerned with farm problems, but by the Extension Division of the University, which represents all interests, both the man on the farm and the worker in the city. To place the new Division in its charge, will simply be to place the movement officially on the broadest, soundest basis possible. (See chart I).

THE PROGRAM IN OUTLINE

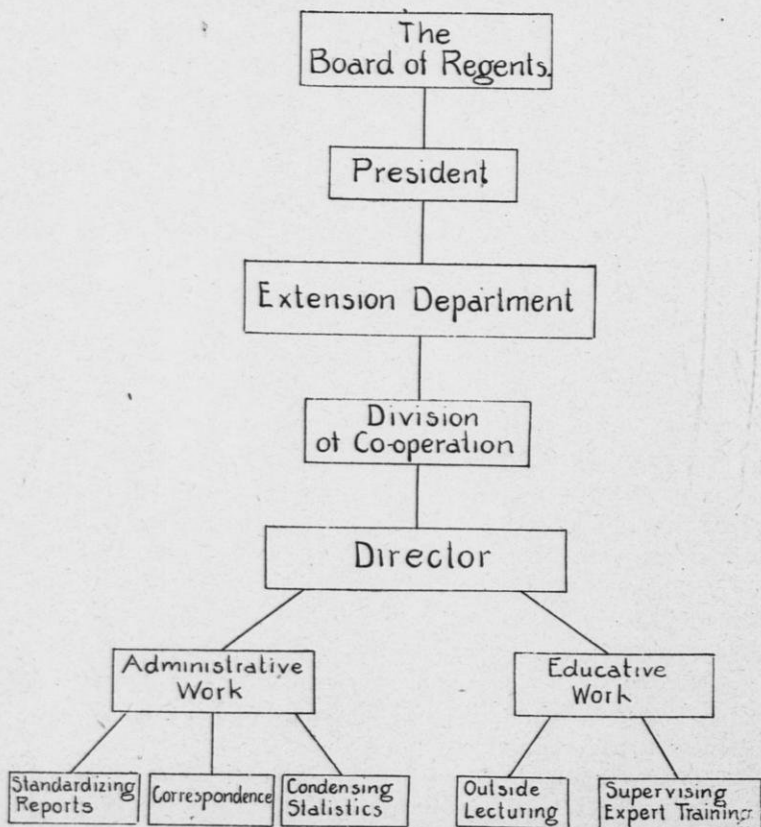


Chart I.

EDUCATIVE

The director should devote by far the greater part of his time to educational work, as it is the most needed at present and can be less successfully delegated to others. The time so devoted should be divided about equally between (1) lectures and correspondence, for the direct benefit of those interested in coöperation, and (2) special instruction to men attending the University which will enable them to apply coöperation from first-hand knowledge if they become producers themselves, or to teach business methods in general and coöperative methods in particular, if they become teachers. The five county agricultural schools already organized will naturally offer at first the best facilities for coöperative instruction when experts have qualified through the training to be offered at the University. These men will naturally bend their best efforts to the practical working-out of coöperative ideas in their counties. In addition to the county agricultural schools now established, at least one high school in the counties not having agricultural schools should have an expert to teach coöperation and disseminate information throughout his county. If it be the largest high school in the county and include agricultural instruction with the rest, so much the better.

II. Administrative.

Although only a minor part of the director's time may be occupied with administrative duties, he must work out a system of records and reports that will enable him to keep himself informed about every coöperative enterprise in the state. Most of this record, whether gathered from voluntary reports or from official audits, would under the present law have to be kept in connection with the office of the Secretary of State, though a small portion would come through such other departments as the Insurance Commission and the Dairy and Food Department. One of the first effects would be to systematize and unify the whole scheme of reports as well as the summaries drawn from them, so as not only to eliminate superfluous information but to put what was kept in easily digested, intelligible form.

We must remember that coöperation is to-day just in its infancy and we may not reasonably expect it to come into full bloom in a day, or a year. Like everything else worth while, it will take time to develop strength; and the ablest man the state can find cannot boost it into a foregone success overnight. Economic progress in any form must come one step at a time. The surest way to court disappointment is to expect a clean sweep and a blazing triumph the first year.

NOTE: This is Mr. Sinclair's recommendation. It does not bind the Board. After the Board has considered the matter thoroughly, it will make its recommendations in its final report.

APPENDIX

I. A. WISCONSIN CO-OPERATIVE LAW

CHAPTER 368, LAWS OF 1911.

AN ACT to create sections 1786e—1 to 1786e—17, inclusive of the statutes, relating to the incorporation of coöperative associations, and the fees to be paid therefor.

The people of the State of Wisconsin, represented in Senate and Assembly, do enact as follows:

Co-operative associations; who may organize; purposes.

SECTION 1786e—1. Any number of persons, not less than five, may associate themselves as a coöperative association, society, company, or exchange, for the purpose of conducting any agricultural, dairy, mercantile, mining, manufacturing or mechanical business on the coöperative plan. For the purposes of this act, the words "association", "company," "corporation", "exchange", "society" or "union", shall be construed to mean the same.

Articles: contents. SECTION 1786e—2. They shall sign and acknowledge written articles which shall contain the name of said association and the names and residences of the persons forming the same. Such articles shall also contain a statement of the purposes of the association and shall designate the city, town or village where its principal place of business shall be located. Said articles shall also state the amount of capital stock, the number of shares and the par value of each.

Articles: verification; filing; charter. SECTION 1786e—3. The original articles of incorporation organized under this act or a true copy thereof, verified as such by the affidavits of two of the signers thereof, shall be filed with the secretary of state. A like verified copy of such articles and certificates of the secretary of state, showing the date when such articles were filed with and accepted by the secretary of state, within thirty days of such filing and acceptance, shall be filed with and recorded by the register of deeds of the county in which the principal place of business of the corporation is to

be located, and no corporation shall, until such articles be left for record, have legal existence. The register of deeds shall forthwith transmit to the secretary of state a certificate stating the time when such copy was recorded. Upon receipt of such certificate the secretary of state shall issue a certificate of incorporation.

Filing fee. SECTION 1786e—4. For filing of articles of incorporation of corporations, organized under this act, there shall be paid the secretary of state ten dollars and for the filing of an amendment to such articles, five dollars. For recording a copy of such articles the register of deeds shall receive a fee of twenty-five cents to be paid by the person presenting such papers for record.

Directors: election; duties; election of officers. SECTION 1786e—5. Every such association shall be managed by a board of not less than five directors. The directors shall be elected by and from the stockholders of the association at such time and for such term of office as the by-laws may prescribe, and shall hold office for time for which elected and until their successors are elected and shall enter upon the discharge of their duties; but a majority of the stockholders shall have the power at any regular or special stockholders' meeting, legally called, to remove any director or officer for cause, and fill the vacancy, and thereupon the director, or officer so removed shall cease to be a director or officer of said association. The officers of every such association shall be a president, one or more vice-presidents, a secretary and a treasurer, who shall be elected annually by the directors, and each of said officers must be a director of the association. The office of secretary and treasurer may be combined, and when so combined the person filling the office shall be secretary-treasurer.

Amendments: how adopted; recording. SECTION 1786e—6. The association may amend its articles of incorporation by a majority vote of its stockholders at any regular stockholders' meeting, or at any special stockholders' meeting called for that purpose, on ten days' notice to the stockholders. Said power to amend shall include the power to increase or diminish the amount of capital stock and the number of shares. Provided, the amount of the capital stock shall not be diminished below the amount of paid-up capital at time amendment is adopted. Within thirty days after the adoption

of an amendment to its articles of incorporation, an association shall cause a copy of such amendment adopted to be recorded in the office of the secretary of state and of the register of deeds of the county where the principal place of business is located.

Business authorized to be conducted. SECTION 1786e—7. An association created under this act shall have power to conduct any agricultural, dairy, mercantile, mining, manufacturing, or mechanical business, on the coöperative plan and may buy, sell and deal in the products of any other coöperative company heretofore organized or hereafter organized under the provisions of this act.

Stock; issue; limit; vote. SECTION 1786e—8. No stockholder in any such association shall own shares of a greater aggregate par value than one thousand dollars, except as hereinafter provided, or be entitled to more than one vote.

Subscription of stock in other associations. SECTION 1786e—9. At any regular meeting, or any regularly called special meeting at which at least a majority of all its stockholders shall be present, or represented, an association organized under this act may, by a majority vote of the stockholders present or represented subscribe for shares and invest its reserve fund, or not to exceed twenty-five per cent of its capital, in the capital stock of any other coöperative association.

Purchasing business of other associations: payment, stock issue. SECTION 1786e—10. Whenever an association, created under this act, shall purchase the business of another association, person or persons, it may pay for the same in whole or in part by issuing to the selling association or person shares of its capital stock to an amount, which at par value would equal the fair market value of the business so purchased, and in such case the transfer to the association of such business at such valuation shall be equivalent to payment in cash for the shares of stock so issued.

Certificates of stock; when held in trust; issue. SECTION 1786e—11. In case the cash value of such purchased business exceeds one thousand dollars the directors of the association are authorized to hold the shares in excess of one thousand dollars in trust for the vendor and dispose of the same to such persons, and within such times as may be mutually satisfactory to the parties in interest, and to pay the proceeds thereof as cur-

rently received to the former owner of said business. Certificates of stock shall not be issued to any subscriber until fully paid, but the by-laws of the association may allow subscribers to vote as stockholders; provided, part of the stock subscribed for has been paid in cash.

Stockholders may vote by mail. SECTION 1786e—12. At any regularly called general or special meeting of the stockholders a written vote received by mail from any absent stockholder and signed by him may be read in such meeting and shall be equivalent to a vote of each of the stockholders so signing; provided, he has been previously notified in writing of the exact motion or resolution upon which such vote is taken and a copy of same is forwarded with and attached to the vote so mailed by him.

Earnings; apportionment. SECTION 1786e—13. The directors, subject to revisions by the association at any general or special meeting, shall apportion the earnings by first paying dividends on the paid-up capital stock not exceeding six per cent per annum, then setting aside not less than ten per cent of the net profits for a reserve fund until an amount has accumulated in said reserve fund equal to thirty per cent of the paid-up capital stock, and five per cent thereof for an educational fund to be used in teaching coöperation, and the remainder of said net profits by uniform dividend upon the amount of purchases of shareholders and upon the wages and salaries of employes, and one-half of such uniform dividend to nonshareholders on the amount of their purchases, which may be credited to the account of such non-shareholders on account of capital stock of the association; but in productive associations such as creameries, canneries, elevators, factories, and the like, dividends shall be on raw material delivered instead of on goods purchased. In case the association is both a selling and a productive concern, the dividends may be on both raw material delivered and on goods purchased by patrons.

Distribution of dividends. SECTION 1786e—14. The profits or net earnings of such association shall be distributed to those entitled thereto, at such times, as the by-laws shall prescribe, which shall be as often as once in twelve months. If such association, for five consecutive years shall fail to declare a dividend upon the shares of its paid-up capital, five or more stockholders, by petition, setting forth such fact, may apply to

the circuit court of the county, wherein is situated its principal place of business in this state, for its dissolution. If, upon hearing, the allegations of the petition are found to be true, the court may adjudge a dissolution of the association.

Annual report; contents; filing. SECTION 1786e—15. Every association organized under the terms of this act shall annually, on or before the first day of March of each year, make a report to the secretary of state; such report shall contain the name of the company, its principal place of business in this state, and generally a statement as to its business, showing total amount of business transacted, amount of capital stock subscribed for and paid in, number of stockholders, total expenses of operation, amount of indebtedness or liabilities, and its profits and losses.

Co-operative associations heretofore organized; may adopt provisions of this act. SECTION 1786e—16. All coöperative corporations, companies, or associations heretofore organized and doing business under prior statutes, or which have attempted to so organize and do business, shall have the benefit of all the provisions of this act, and be bound thereby on filing with the secretary of state a written declaration signed and sworn to by the president and secretary, to the effect that said coöperative company or association has by a majority vote of its stockholders decided to accept the benefits of and to be bound by the provisions of this act. No association organized under this act shall be required to do or perform anything not specifically required herein, in order to become a corporation or to continue its business as such.

Use of term "co-operative" limited to corporations under this act. SECTION 1786e—17. No corporation or association hereafter organized or doing business for profit in this state shall be entitled to use the term "coöperative" as part of its corporate or other business name, or title, unless it has complied with the provisions of this act; and any corporation or association violating the provisions of this section may be enjoined from doing business under such name at the instance of any stockholder of any association legally organized hereunder.

Section 2. This act shall take effect and be in force from and after its passage and publication.

B. LIST OF COMPANIES ORGANIZED UNDER THE NEW 1911 CO-OPERATIVE LAW.

Name	Location	Date of Incorporation
Almond Coöperative Creamery Co.	Almond.....	July 18, 1911
Alma Center Coöperative Mercantile Co.	Alma Center.....	Sept. 20, 1911
American Coöperative Association....	Wausau	Feb. 7, 1912
Alma Center Coöperative Produce Co. The	Alma Center	March 27, 1912
Brookville Coöperative Telephone Co.,	Viroqua.....	July 5, 1911
Browntown Coöperative Mercantile Co.	Browntown	Sept. 9, 1911
Benoit Coöperative Society	Benoit.....	Oct. 12, 1911
Commonwealth Fuel and Supply Co., The	Green Bay	April 17, 1912
Consumers Coöperative Trading Co....	Madison	June, 22, 1911
Chequamegon Farmers' Association....	Washburn	Jan. 30, 1912
Consumers Coöperative Co.	New Lisbon	March 13, 1912
Emerald Coöperative Creamery Asso- ciation	Emerald.....	(Filed acceptance of Ch. 368, March 11, 1912)
Farmers' Coöperative Creamery of Mer- rillan	Merrillan	April 27, 1912
Farmers Equity Coöperative Associa- tion	Campbellsport	April 27, 1912
Forest Creamery Company, The	Emerald	April 22, 1912
Farmers Equity Produce Company.....	Wausau.....	(Filed acceptance of Ch. 368, Feb. 10, 1911)
Glenwood City Coöperative Co.	Glenwood	Feb. 1, 1912
Glencoe Coöperative Creamery Co.	Arcadia.....	March 28, 1912
Highland Coöperative Co.	Highland	Sept. 6, 1911
Horicon Coöperative Co.	Horicon	Feb. 16, 1912
Juneau Coöperative Mercantile Co. ..	Juneau.....	April 12, 1912
Kenosha Consumer's Coöperative Co.,	Kenosha	Nov. 27, 1911
Lake Shore Coöperative Creamery Co.,	Randolph	Nov. 11, 1911
Little Falls Mercantile Co.	Deronda.....	March 30, 1912
Marion Coöperative Creamery Co....	Marion.....	Oct. 2, 1911
Monqua Coöperative Society	Moqua.....	Nov. 23, 1911
Mt. Sterling Coöperative Creamery Co., The	Mt. Sterling.....	Dec. 9, 1911
North Osborn Coöperative Cheese and Butter Co.	Seymour R. R. No. 38...	May 11, 1912
Peoples Coöperative Co.	Fall River.....	July 28, 1911
Pleasant Hill Creamery Co.	Vesper.....	Dec. 11, 1911
Park Falls Coöperative Co.	Park Falls	March 19, 1912
Rib Lake Coöperative Co.	Rib Lake.....	July 24, 1911
River Falls Coöperative Creamery Co., The	River Falls.....	March 19, 1912
Rolling Ground Farmers' Coöperative Creamery Co.....	Soldiers Grove.....	March 27, 1912
Spring Valley Coöperative Creamery Company	Spring Valley.....	July 22, 1911
Schleswig Coöperative Dairy	Kiel	April 5, 1912
So. Randolph Coöperative Co.....	So. Randolph.....	May 6, 1912
U. S. Coöperative Company	Kenosha.....	Nov. 22, 1911
Waupun Coöperative Commission Co.,	Waupun.....	Nov. 17, 1911
Woodford Coöperative Mercantile Co.,	Woodford.....	Nov. 23, 1911
Wittenberg Coöperative Co.	Wittenberg	March 21, 1912
Waupun Coöperative Company	Waupun.....	April 11, 1912
Woodland Coöperative Company.....	Woodland.....	June 5, 1912.

C. FORMS OF AGREEMENT, BY LAWS, ETC.

(1) FOR USE IN ORGANIZING CO-OPERATIVE CREAMERIES AND CHEESE FACTORIES

When the farmers of any community decide to organize a coöperative creamery or cheese factory the following suggestions and forms of Agreements, Articles of Incorporation and By-Laws may prove helpful.

First Meeting.

A temporary chairman and secretary should be elected; the advisability of starting a creamery or cheese factory, and the most desirable location should be discussed, and the value of each share should be decided upon.

If it be deemed advisable to form an association, a committee should be elected to canvass the surrounding territory to ascertain if there is a sufficient number of stockholders and cows to warrant an association.

Organization Agreement.

(To be used at first meeting)

We, the undersigned citizens of _____, State of Wisconsin, do hereby agree to form ourselves into an association for the purpose of _____, and to take the number of shares of stock, at the par value, to wit: dollars each, and furnish the { milk } from the number of cows set opposite our names. { cream }

Provided, however, that if _____ cows and _____ stockholders are not secured before _____ 19—, this agreement shall be null and void.

Names _____ Shares _____ Cows _____

ARTICLES OF INCORPORATION.

KNOW ALL MEN BY THESE PRESENTS: That the undersigned adult residents of the State of Wisconsin, do hereby make, sign and agree to the following:

Article I.

The undersigned have associated and do associate themselves together for the purpose of forming a coöperative association under Chapter 368, Laws of Wisconsin 1911 (Revised Statutes 1786e—1—17).

Business

The business of said association shall be to conduct any dairy-ing, creamery, or cheese factory business on the coöperative plan.

Article II.

Name and Place of Business

The name of said association shall be _____ Coöperative Company, and its principal place of business shall be located at _____ in the County of _____, and State of Wisconsin, and branch offices and places of business may be conducted in other localities when desired.

Article III.

Capital Stock.

The capital stock of this association shall be _____ dollars, divided into _____ shares of the par value of _____ dollars each. The shares of capital stock of this association are non-assessable.

Article IV.

Neither said association nor any officer nor agent thereof shall have any power or authority to contract any indebtedness or liability in behalf of said association which together with all other outstanding indebtedness and liability of the association shall exceed the amount of the par value of the outstanding capital stock.

Article V.

Directors and Officers

The management of this association and the conduct of its affairs shall be vested in a board of _____ directors, who shall be chosen annually by the stockholders at the regular annual meeting of the association and shall serve for a period of

one year, or until their successors shall have been duly elected and qualified.

The board of directors shall choose from their number a president, vice president, secretary and treasurer, for the term of one year or until their successors have been elected and have qualified.

The stockholders may make such rules and regulations for the carrying on of the business as may be deemed advisable—the same to be included in the By-Laws of the Association.

Article VI.

The names and residence of the persons forming this association will be:

- residing at
- residing at
- residing at
- residing at
- residing at

Article VII.

These articles may be amended by resolution setting forth such amendment or amendments adopted at any meeting of the stockholders by a majority of stock outstanding.

(Amendments: how adopted: recording. SECTION 1786e-6. (Ch. 368, 1911). The association may amend its articles of incorporation by a majority vote of its stockholders at any regular stockholders' meeting, or at any special stockholders' meeting called for that purpose on ten days' notice. Said power to amend shall include the power to increase or diminish the amount of capital stock and the number of shares. Provided, the amount of capital stock shall not be diminished below the amount of paid-up capital at time amendment is adopted. Within thirty days after the adoption of an amendment to its articles of incorporation, an association shall cause a copy of such amendment adopted to be recorded in the office of the secretary of state and of the register of deeds of the county, where the principal place of business is located.)

IN WITNESS WHEREOF, we have hereunto set our hands and seals this day of 1912.

Signed in presence of

.....
.....
.....
.....
.....

STATE OF WISCONSIN }
County of } SS:

Personally came before me this day of
the above named
to me known to be the persons who executed the foregoing
articles and acknowledged the same.

.....
Notary Public, Wisconsin

My commission expires.....

STATE OF WISCONSIN, }
County of } SS:

.....
And

being each duly sworn, doth each for himself depose and say
that he is one of the original signers of the original articles of
the association: that he has compared
the foregoing copy with said original articles and that the same
is a true and correct copy of such original articles and of the
whole thereof.

(2) SUGGESTED AGREEMENT AND ARTICLES FOR COW TESTING AS-
SOCIATIONS

Because of the importance of the dairy industry in Wisconsin and of the great possibilities in this work in eliminating the unprofitable or "boarder" cow, by means of cow-testing associations, the following contracts dealing with the organization of such associations are here presented:—

AGREEMENT

WHEREAS (name of association) Association has
been organized for the purpose of providing for the coöperation
of its members in testing periodically the milk of their

cows and for the improvement of their dairy interests; and WHEREAS, it is purposed by the said Association to engage a suitable person for that purpose as soon as enough subscriptions are obtained to warrant said Association to engage such person. We, the undersigned, members of said association each for himself and not one for the other, severally agree to pay the sum of a year for each cow, set opposite our respective names to said Association for that purpose. Said fees to be paid in quarterly installments in advance, the first payment to be made as soon as such person is engaged by said association. Each one of us also agrees to furnish board and lodging for said person at least one day each month and to convey him to his next place of work, or should said person furnish his own conveyance, each one of us agrees to feed and shelter said person's horse for at least one day each month. Said person need not work on Sunday, but shall have board and lodging over Sunday at the place he works Saturday.

The following are the articles under which a cow testing association is operated:

ARTICLES OF INCORPORATION.

We, the undersigned, desiring to become incorporated under the provision of the Act No..... of the Public Acts entitled and the Acts amendatory thereof and supplementary thereto, do hereby make, execute and adopt the following Articles of Association, to-wit:

Article I.

The name by which said association shall be known in law is

Article II.

The purpose for which it is formed is generally to promote the dairy interests of its members and particularly to provide means and methods for improvement of dairy cows and for testing periodically the cows of the members.

Article III.

Its principal office and place of business shall be at

Article IV.

The number of its directors shall be

Article V.

The names of the directors for the first year of its existence are as follows:

.....
.....

Article VI.

Any person may become a member of this association and be entitled to its benefits and privileges upon being accepted by its board of directors and upon complying with the requirements of its by-laws.

In witness whereof, we, the parties hereby associating for the purpose of giving legal effect to these articles, hereunto sign our names thisday of
A. D. 191.....,

State of

County of

On thisday of, 191...
before me, a notary public in and for said county, personally appeared

.....
known to me to be the persons named in and who executed the foregoing instrument and severally acknowledged that they executed the same freely and for the intents and purposes therein mentioned.

..... Notary Public.
My commission expires

BY-LAWS.

Article I.

Annual and Special Meetings.

The annual meeting of this corporation shall be held at a place to be designated by the board of directors in..... on theday of of each year at eight o'clock in the evening, for the purpose of electing a board of directors, and of the transaction of such other business as may lawfully come before said meeting.

Special meetings may be called by the board of directors or by the president, and notice thereof shall be given by the Secretary by mailing to each member a written or printed notice thereof at least five days prior to such meeting. Such notice shall state the object of the meeting and no other business shall be transacted thereat.

Article II.

Board of Directors.

Section I. The board of directors shall consist of members. They shall be elected at each annual meeting, the first elections to be held on theday of A. D. 191....

Section II. The board of directors shall have the management and control of the business of the corporation, and shall employ such agents as they may deem advisable and fix the rates of compensation of all officers, agents and employees.

Section III. Whenever any vacancies occur in the board of directors by death, resignation or otherwise, the same may be filled without undue delay by the majority vote of the remaining members of the board. The person so chosen shall hold office until the next annual meeting or until his successor is elected and qualified.

Section IV. The board of directors shall meet on the firstof each month, at such times and in such places as they may by resolution determine.

Section V. A majority of the directors shall constitute a quorum at all meetings of the board.

Article III.

Officers.

Section I. The officers of the corporation shall consist of president, vice president, secretary and treasurer. The office of secretary and treasurer may be held by the same person. The officers shall be elected by the board of directors by a majority vote of the whole number of directors. The first elections shall be held immediately after the election of the board. Subsequent elections shall be held annually on the day of the regular meeting of the board next ensuing election, the day to be fixed by resolution of the board of directors.

Section II. In case of death, resignation, or removal of any officer, the board shall elect his successor who shall hold office for the unexpired term.

Article IV.

Membership.

Any person acceptable to the board of directors may become a member upon paying a membership fee of twenty-five (25) cents.

Article V.

Dues.

Each member shall pay a fee of 25 cents annually on or before the first of The first annual dues to be payable on or about the day of, 191.... No member shall be allowed to participate in the election of the board of directors who shall not have paid his annual dues in advance.

Article VI.

Amendments.

These by-laws may be amended, added to or altered by a majority vote of all members at the annual meeting, or at a special meeting called for the purpose.

SUGGESTED BY-LAWS FOR CO-OPERATIVE BUTTER AND CHEESE
FACTORIES*Article I.*

Name and Object.

Section 1. The name of this association shall be the.....
..... Coöperative.

Section 2. The purpose of this association shall be to carry on the manufacture of butter and cheese and all other dairy products in such manner as will conduce to the greatest convenience and profit over the greatest amount of territory. Also to purchase, use and hold real and personal estate necessary for the transaction of the business of the association.

Article II.

Corporate Powers.

Section 1. The corporate powers of this association shall be vested in a board of directors, except such powers as are or may be reserved by statute or by these rules and regulations to be exercised by the association as a whole.

Article III.

Membership.

Section 1. The association shall include any person who has been accepted and regularly enrolled on the company's books as a member.

Section 2. Each member shall be entitled to one vote only.

Section 3. New members may be admitted by a majority vote of the association. Members shall be permitted to withdraw only as follows: The member desiring to withdraw shall give at least one month's notice of his application thereof. Such application shall only be allowed on a vote of two-thirds of all the members present and voting at any meeting; provided, however, that any member living more than three miles by the nearest road from the factory building may make application to the board of directors and the said board in its discretion may grant permission to such members to withdraw from the association.

Section 4. No proxy voting shall be allowed, but stockholders may vote by mail in any regularly called general or special meeting of the stockholders. A written vote received by mail from any absent stockholder and signed by him may be read at such meeting and shall be equivalent to a vote of each of the stockholders so signed; provided that he has been previously notified in writing of the exact motion or resolution upon which such vote is taken, and a copy of the same is forwarded with and attached to the vote so mailed by him. (Section 1786E—12—Statutes of Wisconsin.)

Section 5. The acceptance by a member of a stock certificate shall constitute a contract between such member and the company and assent of such stockholder to these by-laws and to amendments legally adopted.

Section 6. Each member of the company becomes subject to, accepts and agrees to abide by these rules and regulations and all future amendments enacted by the company.

Article IV.

Capital Stock.

Section 1. The capital stock of this association shall bethousand dollars which shall be divided into..... hundred shares of dollars each, which shall be paid in at such times, and in such amounts as the board of directors may determine and may be paid either in cash, property, labor or securities, as the board of directors may determine.

Section 2. When a note is given to the association for stock, it may be paid by a certain percentage deducted from each pound of butter fat or each hundred pounds of milk delivered by each such stockholder. Provided, however, that no certificate shall be issued nor any interest paid on any share of stock until it is fully paid.

It is further provided that all stock may be retired as fast as money accruing from the sinking fund will allow. All stockholders shall receive six (6) per cent interest on their stock until it is retired by the association.

Section 3. After all stock has been retired, each patron contributing to this factory all their milk or cream that he has

for sale becomes a member of, and has a right to vote in, this association.

Section 4. Shares of stock shall be non-assessable and non-transferable except as provided in Section 5 of this article.

Section 5. All shares must, before issue, be registered on the books of the association, by being surrendered, and new ones issued in the name of the purchaser, who by acceptance thereof agrees to all the by-laws and rules of the association, including also all amendments that may be legally adopted, and thereby shall become a member of the company. No shares can be transferred until all claims of this company against the owner of such shares have been paid.

Section 6. If any member of the association desires to dispose of his share or shares, he shall first offer to sell same to the company at par value; if the company decline to purchase, the member may find a purchaser acceptable to the company and have same transferred to said purchaser on the books of the company in accordance with the rules. If a member removes from the territory and ceases to be a patron of the association and establishes a residence elsewhere, the board of directors shall purchase the share or shares owned by the said nonresident member.

Sections five (5) and six (6) of this article shall be printed on each and every certificate of stock issued by the company.

Article V.

The duties of the respective officers shall be as follows:

President.

Section 1. The president shall preside at all meetings of the association. He shall have power to call special meetings of the association **whenever, in his judgment**, the business of the association shall require it. He shall also, upon a written request of ten per cent of the stockholders or three members of the board of directors, call a special meeting.

Vice President.

Section 2. The vice president shall perform the duties of the president when the latter is absent or unable to perform the duties of his office.

Secretary.

Section 3. The secretary shall keep a record of all the meetings of the association and make and sign all orders upon the treasurer and pay over to the treasurer all money which comes into his possession, taking the treasurer's receipt therefor. The secretary shall make a report to the annual meeting of the association, setting forth in detail the gross amount of milk and cream receipts and the net amount of receipts from products sold and all other receipts, the amount paid out for running expenses, the sums paid out for milk and cream, and all other matters pertaining to the business of the association. A like statement shall be made each month and posted conspicuously in the creamery building at the time of the division of the previous month's receipts aforesaid. The secretary shall give bonds in the sum of..... dollars, same to be approved by the board of directors.

Treasurer.

Section 4. The treasurer shall receive and receipt for all moneys belonging to the association, and pay out only upon orders signed by the secretary. The treasurer shall give bonds in the sum ofdollars, same to be approved by the board of directors.

Article VI.

The Board of Directors.

The board of directors who are elected at the annual meeting for one year shall attend to the general affairs of the association and appoint such agents or officers as in their judgment the interests of the association require. They shall keep or cause to be kept, a correct account of all the milk furnished by stockholders or patrons and a correct account of sales. They shall establish prices and have full power of the business of the association, and in all cases pursue such measures as in their judgment will tend to the best interests of the association. They shall make a full report of their doings and a full statement of the business at each regular meeting or whenever called on to do so by the vote of the stockholders.

Section 2. The board of directors shall appoint one of their members sales manager, who shall with the butter or cheese maker have full control of the sale of all products and the buying of all supplies; but shall confer with the directors from time to time.

Section 3. The directors shall have regular monthly meetings on the last Monday of each month.

Quorum.

Section 4. A majority of the directors shall constitute a quorum for the transaction of all business at meetings of the directors.

Article VII.

Educational Committee.

The directors shall appoint an educational committee of three stockholders to periodically place before the people in printed matter, public meetings or otherwise, the benefits of coöperation.

Article VIII.

Butter Maker or Operator.

Section 1. The board of directors shall secure the services of a competent operator and pay him the salary they deem sufficient.

Said operator shall make out and deliver to the secretary on or before the tenth of each month a true statement of the number of pounds of cream delivered by each patron for the preceding month, and the total yield of the factory for the said month, and the number of pounds of butter or cheese, if any, drawn out by the same person.

Section 2. It shall also be the duty of the operator to take from every patron's daily delivery of cream a proportionate amount of said cream and place in jars suitable for such purposes. On the fifteenth and last day of each month he shall fix samples for the composite bi-monthly milk test.

Section 3. The operator shall test the milk of each patron at least three times a week.

Section 4. The building shall be kept in a clean and sanitary condition by the operator. Smoking and chewing of tobacco shall be prohibited in the creamery. The butter maker shall enforce this rule strictly.

Article IX.

Milk Furnished.

Section 1. The several members shall furnish all the milk from all the cows subscribed by each, all the milk to be sound, fresh, unadulterated, pure and unskimmed, and patrons of the association, not members, may by agreement with the board of directors, furnish such amounts of milk as may be so agreed upon. The association shall receive all such milk so furnished, manufacture the same into butter, cheese, or both, and sell and receive all moneys for the product.

Section 2. Any member or patron of the association found skimming, watering or in any manner adulterating his milk offered at the factory shall forfeit to the association as follows: For the first offense ten dollars; for the second offense, twenty-five dollars; for the third offense, he or she shall forfeit all interest in the association and also all claims for milk theretofore delivered to the association. But no such forfeiture shall be adjudged without first affording to the member or patron charged with having so skimmed, watered or adulterated his milk, full opportunity to defend himself or herself from such charge.

Any member who sends in any bloody or impure milk, or any milk from any cow within four days before calving, shall, if convicted of having so done knowingly, forfeit as prescribed above.

Section 3. During the interval between the twentieth of May and the twentieth of September of each year, all milk shall be delivered at the factory as early at least as 9:00 in the morning and during the remainder portion of the year as early as 12:00.

Section 4. Members and patrons furnishing whole milk may take from the separator or the tank at the creamery four-fifths of the quantity of milk (in pounds or quantity) delivered at the creamery by them on that day. Any member tak-

ing therefrom more than such amount shall forfeit to the association the sum of five dollars for each such offense.

Section 5. Any member, without reasons satisfactory therefor to the association, refusing to deliver at the creamery the milk agreed to be there delivered, shall forfeit all interest in the product on hand and stock in the association.

Section 6. No milk shall be received or business of any kind transacted on Sundays.

Section 7. Patrons of the creamery not living on a cream route shall be allowed such compensation for hauling their cream to the factory as the board of directors may think proper. But patrons living on a cream route shall receive no compensation for delivering their cream.

Article X.

* If a competitor raises the price of butter-fat above its market value any stockholder shall have a right to sell his milk or cream to such competitor—provided that the cream is first weighed and tested at the factory, and one cent per pound of butter-fat is paid to the association for maintaining the creamery.

Article XI.

Division of Profits.

Section 1. The directors, subject to revisions by the association at any general or special meeting, shall apportion the earnings by first paying interest on the paid up capital stock not exceeding 6% per annum. Then set aside not less than 10% of the net profits for a reserve fund until an amount has accumulated in said reserve fund equal to 30% of the paid up capital stock, and 5% of the net earnings for an educational fund to be used in teaching coöperation, and the remainder of said net profit by uniform dividend proportional to the amount of raw material delivered by patrons. (Chapter 368, Laws of 1911.)

Section 2. All expenses of repairing, insurance, taxes, permanent improvement to or upon the factory, and interest upon the indebtedness shall be paid out of the reserve fund.

Article XII.

Reports.

Section 1. The secretary shall at the annual meeting give the report of the business done by the company during the last fiscal year. He shall make out further reports on the request of the board of directors.

Section 2. The association shall annually on or before the first day of March of each year make a report to the secretary of state; such report, unless otherwise provided for by the secretary of state, shall contain the name of the association, its principal place of business, the total amount of business transacted, amount of authorized capital and amount of capital stock subscribed, number of stockholders and amount held by each member, number of patrons, total expenses of operation, amount of indebtedness or liabilities, and its division of profits, if any.

Article XIII.

Annual and Special Meetings.

Section 1. The annual meeting shall be held on the last Wednesday of the month of January at 2:00 P. M. for the election of officers and for the transaction of such other business as may properly come before the meeting.

Section 2. Special meetings of the company shall be called as provided in Article V, Section 1.

Quorum.

Section 3. members shall constitute a quorum for the transaction of business.

Initiative and Referendum.

Section 4. Ten per cent of the members shall have the right to initiate any measure or policy that they see fit and when such member or members shall present a desired measure to the board in writing, the latter shall refer the same to the stockholders for final action.

Article XIV.

Amendments to By-Laws.

Section 1. These by-laws may be altered or amended by a two-thirds vote of the members present at any regular annual meeting or any special meeting called for that purpose. In the latter case ten days' notice thereof shall have been given to all the members previous to the time of voting thereon.

Section 2. Whenever in the opinion of the board of directors a change in the rules and regulations is necessary, they shall have power to initiate such change and refer it to the shareholders for final action.

Article XV.

Order of Business.

1. Call to order.
2. Roll call of officers.
3. Reading minutes of last meeting.
4. Reports of officers.
5. Reports of committees.
6. Reports of education committee.
7. Reports of managers.
8. Communications and bills.
9. Grievances and complaints.
10. Consideration of reports.
11. Election of officers.
12. Filling vacancies.
13. Appointing committees.
14. Unfinished business.
15. New business.
16. Good of the company.
17. Sign minutes.
18. Adjournments.

D. LEGAL ASPECTS

EARLY LEGAL HANDICAPS

The organization of any coöperative enterprise (involving the use of much capital), is greatly influenced by the manner of distributing personal responsibility in case of bankruptcy. Moreover, for the sake of uniformity in practice and facility in fixing obligations, this is the feature for which it is most necessary that the law should prescribe general rules. Until recently, however, the laws have been framed in the interest of a few and opposed to the interests of the many who occupied a less strategic position.

In Denmark, as we have seen, large amounts of outside capital are borrowed by the creameries on joint and unlimited liability, but in this country and England the prevalence of concerns with limited liability shows a general disapproval of the older method.

The usual form of limited liability concern is the modern corporation, for which our state law has long provided and in fact did provide when coöperation came to be a live issue here, about 1880. Why then was not the corporate form adopted by the early coöperators? Because it violated one of the Rochdale "fundamentals" in distributing power according to the "one share, one vote," instead of the "one man, one vote" principle.

Whether the "one man, one vote" rule is indispensable to the success of a coöperative enterprise may be debatable nevertheless. If the "one man, one vote" rule were indispensable it would be a fatal weakness in corporations. But there are too many corporations, successfully running on the "one share, one vote" principle to allow us to draw any such rash conclusion. On the other hand, while the fitness of the corporate form for some purposes may be acknowledged, it cannot be said that all who would enjoy the limited liability privilege must also follow the "one share, one vote" rule. Yet that is what the earlier law said.

It is obvious then that the only real difficulty with that law was that it specified unnecessarily how limited liability associates

should vote; and that the simple remedy would be to change the voting clause of the existing law so as to allow voting as the various incorporators wished, so long as they stated their preference in their original charter.

A new act was passed in 1887 extending to any group of five or more persons, who preferred the "one man, one vote" principle, all privileges hitherto reserved for "one share, one vote" corporations.

This new Mutual Cooperation Corporation Act made provision that the shares must cost not less than one, nor more than ten dollars; that proxies be prohibited; and that members of all concerns but those engaged in manufacturing or wholesaling pay cash. This act of 1887 answered the purposes of cooperative organizations in Wisconsin until 1911, when the legislature enacted a new and more exact law regulating them.

The 1911 Cooperative Law.

The new law remedies one of the chief points of dissatisfaction with the corporate form by providing for equality of voting power among the members as noticed earlier in this chapter. This old Rochdale rule has already received so much attention that it needs little further emphasis here. Lest it be thought, however, that this is merely an experimental way of conducting affairs, it may be well to mention that some of the biggest concerns in existence, notably the Bank of England, are managed on this "democratic" principle. Even though voluntary associations are at perfect liberty to choose the corporate plan of stock-voting if they prefer, most of the cooperative stores in this state have adopted the "one man, one vote" form.

It is prescribed by the Act of 1911 that the directors are first to distribute interest dividends on the paid in capital. The rate is not to exceed six per cent. Of the remainder they are to set aside not less than ten per cent for a safety-reserve fund until this reserve amounts to 30% of the par value of stock paid for. Likewise five per cent of the annual net profits is to be devoted to an educational fund; and the net remainder is to be divided among patrons and employees in proportion to the amount of purchases at full value if members, at half value if non-members.

In a creamery or cheese factory the division is made on the basis of butter-fat. Heretofore the practice of discriminating between members and non-members in the division of net earnings has varied much in Wisconsin, but the worth of the plan as an incentive to membership has been shown in the experience of 1,600 stores in England.

Although the foregoing provisions have undoubtedly answered a widespread demand, the same can hardly be said of the section which forbids any one member from contributing more than \$1,000 to the business as a shareholder. This provision really accomplished no good object, although it was intended to prevent a concentration of power in a few hands. But as this was already accomplished by the "one man, one vote" method of management and the limiting of interest dividends to six per cent, the clause seems superfluous. Indeed, it is a virtual weakness, for it deprives some companies of the financial backing they might have if members were free to consult only their own inclination in subscribing for stock.

With no restrictions as to the amount of common stock any individual might purchase, there may still be insurmountable difficulties in the way of raising sufficient capital from such contributions alone. On the one hand the present law does not require the payment of any assured rate of interest on common-share capital. The man who buys one thousand dollars worth of common stock runs ten times the risk of loss in case of failure that the man who buys only one hundred dollars worth, although he has no more voice in the management. Hence the wealthier coöperators may with good reason ask that for such portions of their contributions as may be called "special" (because in excess of the average subscribed) they shall receive some special assurance not only of a definite rate of income but also of first reimbursement in case of failure or dissolution of the company. In other words they may reasonably ask that if there is to be equality of voting-power there shall also be equality of risk-sharing so that in the event of entire failure of the business or failure to earn interest on all the capital employed, each man shall stand the same financial loss.

On the other hand there may be men, interested more as investors than as patrons, willing to put up capital for an indefinitely long period of time, who would want, in addition to a

fixed rate of income, some voice in the management such as they would not have as mere shareholders.

To meet this difficulty and to secure the additional capital which may sometimes be indispensable in starting a new concern, it is suggested that long time notes be issued. These notes would automatically enjoy (1) all preferential privileges, (2) would give plenty of time to pay on receipt of fresh share-capital and (3) would be under the control of the directors to pay at any time. The rights of this stock would be as follows:

(1) One vote to each owner.

(2) A definite rate of interest payable whether the company earns anything for the common stock or not.

(3) Reimbursement prior to common stock in case of failure or dissolution, the common taking the entire surplus, if any.

It may be objected, however, that this preferred stock would have two privileges (2 and 3) not granted to the common, unless it drew less than six per cent and the company earned enough to pay the common six per cent. The only answer is that it need never be resorted to unless the advantage of having the capital so obtainable outweighs the reluctance to concede such privileges. Furthermore, another advantage could easily be secured by reserving to the directors the right to buy back this excess stock (at par and accrued interest) whenever they desire. This might occur when other money could be secured from the continued sale of common stock.

There is the probability that if such a system were adopted, every member would ask for as much excess and as little common stock as possible since the law limits common dividends to six per cent. This can only be met by requiring that every stockholder shall own a certain minimum of common stock before having the privilege of buying the other. With this safeguard the plan may be found a helpful solution in many future cases.

If cumulative the directors would have some discretion as to just when to pay the interest. Otherwise it would be necessary to pay annually unless "payable if earned."

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Lyon, C. N. *Farmers' Telephone*. Wisconsin Agriculturist, January 5, 1905, v. 29 no. 1.

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* Gives an account of the coöperative store of the Knights of Labor, operated at Oshkosh, Wisconsin in 1886.

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Gives the objects, plans and accomplishments of the society which is organized to promote coöperative marketing.

Westerman, C. W. *Alliance of Farm and Labor Sought*. Clipping from Milwaukee Sentinel, July 23, 1910.

Describes a movement to bring about a closer alliance between the farmer and the trades unionist in Wisconsin, which will embody the establishment of coöperative distributing agencies in the industrial centers of the state.

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Wisconsin Agricultural Experiment Station. *Community Breeders' Associations*. Bulletin no. 189, February, 1910.

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Wisconsin State Grange, Patrons of Husbandry. *Proceedings, 1874-1907*.

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Wisconsin State Legislature. An act to create sections 1786e—1 to 1786e—17, inclusive, of the statutes relating to the incorporation of coöperative associations and the fees to be paid therefor. (In Laws of 1911, Chapter 368 p. 402.)