# THE USE OF COOPERATIVE ORGANIZATIONS IN VOCATIONAL AGRICULTURE TRAINING IN VIRGINIA

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# PART I

## THE SITUATION

The major portion of our assistance to farmers has been devoted to problems in production. However, success in farming depends upon efficient production along with efficient business principles, especially in the marketing of farm products and in purchasing of equipment, supplies, and services consumed on the farm.

The American farmer's records of production for the past few years show that agricultural educational agencies have done an excellent job of educating the farmer in volume production of farm products.

Likewise, the records, for other than war years, show that the farmer's ability in acquiring needed supplies, services, equipment, and in processing and merchandizing farm products, has not kept pace with his ability to produce. When the foregoing statement is true something is wrong, either with our teaching or its application. It is thought that we are not teaching enough of some phases of farming, especially marketing and purchasing.

By their continuance and steady growth, it is thought that farmer cooperatives now have an established value. Most all types of farmer cooperatives have passed the trial years and are performing a real service. Cooperatives, which now affect the lives of more than half of all

American farm families, if properly managed and supported should help the farmer to help himself in securing more of his needs.

Since vocational agriculture is one of our main agricultural educational agencies, it is thought that vocational agricultural instruction may contribute more to the training of future farmers through more cooperative training and guidance in recognized cooperative principles and practices.

To assist in evaluating cooperative undertakings considerable discussion is given to its history, growth, and recent trends.

## OBJECTIVES

In making this study, the following specific objectives were formulated:

1. To develop a better understanding of the magnitude, growth, and trends of the cooperative movement in Virginia and the United States.
2. To develop a better understanding of the amount of cooperative organizational training taught in vocational agricultural classes in Virginia.
3. To determine the need of additional organized services in the rural school communities of Virginia and the

possibilities of fulfilling these needs by more cooperative organizational training and guidance through vocational agricultural instruction.

## PROCEDURE

In the development of this study, the procedure is as follows:

1. Available information on history, recent developments, and trends of cooperative organizations was secured from operating cooperative organizations and from agencies working with cooperatives; namely: Farm Credit Administration, Farmers Home Administration, Virginia Polytechnic Institute Extension Department, and the Bank for Cooperatives, Baltimore, Maryland.
2. Information on cooperative organizational teaching and practices through Vocational Agricultural Instruction was secured from the teachers of agriculture by the questionnaire method mostly, supplemented by a few visitations.
3. On the basis of the information secured, recommendations are suggested for the improvement of Vocational Agricultural training.

# PART II

## UNIT I

## ENGLISH BACKGROUND AND GROWTH

Cooperation is by no means a new idea. Unorganized cooperation is probably as old as civilization, but organized cooperatives are comparatively new.

Most historians start with the Rochdale weavers of England as the organizers of the first working cooperative organization. During the quarter century following the Napolennic Wars of 1815 and the readjustment of labor of the Industrial Revolutionary period, the laboring class of England was extremely hard hit with high cost of living and low incomes; also, many of them were forced completely out of work by the introduction of machinery. There were no new frontiers in England, so if the people stayed in England they had to face the problem and work out a solution. Striking proved to be a valueless weapon, for the place of the hungry striker could be filled by someone just a little bit hungrier. An increase in wages could not be secured, so of necessity the next best step was to try to increase the purchasing power of the wages received.

After much consideration, the idea of a cooperative buying organization was thought to be the best means of increasing the purchasing power of the wages received.

So in 1843, a group of twelve weavers started "The Rochdale Society of Equitable Pioneers", with expressed purposes as follows:

1. To establish a store for the sale of food and clothing.
2. To build, purchase or erect houses for the members, to improve domestic and social conditions.
3. To manufacture such articles as may be agreed upon by the society, so as to provide employment for any who may be or become unemployed.
4. To purchase or rent estates of land which could be cultivated by members who may be or become unemployed.
5. To establish a self-supporting home colony and to assist in establishing other such colonies.

A very ambitious plan for poverty-stricken people; but wisely choosing the store as their first objective, they started to work. To start a store they had to have money or credit. They had neither. Stock in the new organization was offered for sale at one pound ($4.86) per share. More than one year was required to collect twenty-eight pounds and increase their membership up to twenty-eight, which was thought to be sufficient capital and patronage to start business. A Toad Lane warehouse ground floor was rented and the new society started selling four commodities: flour, butter, sugar, and

oatmeal to its twenty-eight patrons. With members serving as unpaid keepers, progress was made, but very slowly.

In 1848 the warehouse building was rented for twenty-one years. The failure of the Rochdale Bank in 1849 caused more people to turn to the Equitable Pioneers. The workers saw the store as their own organization, that it could be made to serve their needs, and that it was a safe investment for capital. Growth during the early 1850's was sufficient to warrent a paid staff, since they were then handling nearly all types of groceries and manufacturing some shoes and clothing.

Very soon after the opening of the Rochdale store, the business men began to see the possible danger in the cooperative movement and petitioned Parliament to stop cooperatives. This movement was fought vigorously by the united efforts of local shop keepers.

As membership and volume of business increased and as the new idea circulated, many new stores were opened in various parts of England. The expansion of English cooperative buying is shown in Table I.

In 1863 the society expanded into manufacturing; this, too, grew with untold speed. By 1911 they operated some of England's largest factories, with a capital of thirty-seven million dollars and 21,000 employees, doing an annual business of about a quarter billion dollars.

One amazing thing about the English Cooperatives is

TABLE I

GROWTH OF ENGLISH COOPERATIVE BUYING 1/

| YEAR | MEMBERS | CAPITAL (pounds) | BUSINESS (pounds) | SAVINGS (pounds) |
|---|---|---|---|---|
| 1844 | 28 | 28 | -- | -- |
| 1845 | 74 | 181 | 710 | 22 |
| 1846 | 80 | 252 | 1,146 | 89 |
| 1847 | 110 | 286 | 1,924 | 72 |
| 1848 | 149 | 397 | 2,276 | 117 |
| 1849 | 390 | 1,193 | 6,611 | 561 |
| 1850 | 600 | 2,289 | 13,179 | 880 |
| 1855 | 1,400 | 11,032 | 44,902 | 3,109 |
| 1860 | 3,450 | 37,710 | 152,063 | 15,906 |
| 1865 | 5,326 | 78,778 | 196,234 | 25,156 |
| 1870 | 5,560 | 80,291 | 223,021 | 25,209 |
| 1876 | 8,892 | 254,000 | 305,190 | 50,668 |
| 1900 | 2/ | 2/ | 1,500,000 | 240,000 |
| 1915 | 2,700,000 | 2/ | 600,000,000 | 50,000,000 |

1/ Filley, Horace C. - "Cooperation in Agriculture" John Wiley and Son, Inc., New York, 1929.

2/ Figures not available.

that they were able to secure the services of the best business brains of England for a very small remuneration. For example, J. T. W. Mitchell managed the thirty-seven million dollar business for twenty-one years, and at his death left an estate valued at $1,750. Their cooperative movement has been astonishingly successful because it has been a moral as well as an economic movement.

In 1929 the Great Britain Cooperative Societies included one-third of the total population, and over a period of forty years the movement had grown five times faster than population increase. At this time nearly one billion dollars worth of commodities were bought by its members annually, with a saving to its members of $100,000,000 a year, $65,000,000 of which was returned as patronage refund. They owned their own steamship lines, factories, plantations, mines, banks, insurance companies, and provided social and welfare organizations for the benefit of all, non-members as well as members. The British Cooperatives were producing and marketing about every commodity and rendering about every form of service found anywhere in the country. This was the largest and one of the most successful business enterprises in the world.

The governing principles of the English Cooperatives were as follows:

1. One man, one vote.

2. Dividends or savings on capital stock limited to current rate of interest.
3. Savings divided in proportion to patronage.
4. Goods sold at regular retail prices.
5. Business conducted on a cash basis.
6. Number of shares of stock which one member might own was limited.

# UNIT II

## DANISH BACKGROUND AND GROWTH

Perhaps the Danish people have developed the cooperative method of transacting agricultural and commercial business to a greater degree than any other country in the world. In this country also, the cooperative was born of necessity.

Few nations have ever faced a more desperate and gloomy outlook than did Denmark after her defeat by the Prussians in 1864. It was left a country about twice the size of New Jersey, with no mineral resources, land of low fertility, and what wealth existed was concentrated within the hands of a few. The country was well populated so there was no recourse but to use what they had. The most likely side of Danish prosperity was in agriculture, in the production of staple food products which they could sell to England. Butter, bacon, and eggs seemed to be the answer.

To export, it was soon learned they had to produce products of high quality, uniform grade, and a steady output. As individual producers this was practically impossible. In 1882 a few farmers started their first cooperative creamery. It was a success from the start. They could manufacture a standard high quality butter which could be marketed at a minimum cost. Satisfaction

was shown in the fact that by the end of 1900 there were more than 900 cooperative creameries, and by 1923 this number had increased to 1,335.

In order to bring about greater efficiency in the marketing channels, the cooperative creameries began forming federations in 1889. These were the large scale cooperatives which had as their members and supporters the smaller creameries of a given area. The federations were of sufficient size and volume of business to deal directly with the English wholesalers.

The cooperative system of processing and marketing agricultural products was quickly expanded to the bacon and egg production as well as to practically all other agricultural products. Today the government establishes grades and standards for farm products, and the cooperative federations use government inspection to see that the local cooperatives keep their output up to these standards.

The success of Danish cooperation is one of the most interesting and most widely discussed features of their civilization. A very high degree of ability, initiative, and courage is shown by Danish farmers in performing these functions for themselves and not relying on their government or on big business. The farmers are no longer peasants. About ninety-two percent of them are land owners. Cooperation is credited with bringing

about economic prosperity, which permitted the purchase of land and the opportunity for education. This transformation took about fifty years. The main Danish cooperative operating principles are:

1. One man, one vote.
2. No shares of stock issued; only certificates of membership.
3. Bank loans used to capitalize cooperatives.
4. Partial payments made to farmer, when goods delivered.
5. Periodic payments made to farmer as products are sold by cooperative.
6. Each member signs contract to deliver all of his production (except home needs) for certain period, usually ten years.
7. All members are jointly and severally liable.
8. Membership is open to all producers.
9. The annual meeting is the supreme authority in the affairs of the association.
10. The supervision and management of the association is performed by a board of directors elected by members. They employ technically trained personnel for actual plant operation.

The latest official available report on foreign cooperatives is the "Report of the Inquiry on Cooperative Enterprise in Europe", published in 1937. This report

was made by a committee appointed by President Roosevelt in 1936, with instructions to make a special study and report of European Cooperative Enterprises. Tables II and III are extracts from the report of this committee.

From the American point of view, foreign cooperatives are of interest to us, to the extent of possibly using those principles and practices which have been thoroughly tried and have proven successful under similar conditions and circumstances to those found in our country.

The following United States' conditions and circumstances are either similar or rapidly becoming similar to those of Europe of a century or more ago.

1. The United States may now be considered as an old country and largely developed.
2. Our frontiers are rapidly vanishing.
3. Mechanization and technical improvements are bringing about increased production with decreased human effort, resulting in surplus labor.
4. Greater percentage of wealth in control of very small percentage of population.
5. Natural resources becoming scarcer and more valuable.
6. Population density greatly increased (but not to the extent of European countries).

TABLE II

EXTENT OF EUROPEAN CONSUMERS' COOPERATIVE ENTERPRISES - 1935[1]

| Country | Population Total | Membership of Societies[2] | Number of Societies | Trade of Consumers Societies[3] |
|---|---|---|---|---|
| Czechoslovakia | 14,729,536 | 817,731[4] | 903[4] | $ 69,264,486[4] |
| Denmark | 3,705,559 | 354,000 | 1,939 | 63,400,500 |
| Finland | 3,762,026 | 517,763 | 532 | 73,076,886 |
| France | 41,228,000 | 2,540,290[4] | 2,908[4] | 233,544,330[4] |
| G. Britain[5] | 46,082,000 | 7,483,976 | 1,118 | 1,080,545,492 |
| Norway | 2,817,124 | 138,557 | 497 | 31,906,200 |
| Sweden | 6,211,566 | 568,161 | 719 | 103,716,950 |
| Switzerland | 4,066,400 | 402,535[4] | 585[4] | 94,299,933[4] |

1/ Report of the Inquiry on Cooperative Enterprise in Europe. A committee report. 1937.
2/ In general these figures may be taken as representing families.
3/ Does not include consumer goods by Agricultural societies.
4/ 1934.
5/ Includes Northern Ireland and Irish Free State.

NOTE: The above is not given in percentage of total national retail trade, but authors state that cooperative trade usually ranges from ten to thirty percent of total national retail trade, except for food and household goods, both of which are a much higher percentage cooperatively.

TABLE III

EXTENT OF EUROPEAN FARMERS' COOPERATIVE ENTERPRISES - 1935[1]

| Country | Rural Population | Membership of Societies | Number of Societies | Trade of Central Federations | Total Trade of Societies |
|---|---|---|---|---|---|
| Czechoslovakia | 7,687,864 | 597,079 | 5,376 | $71,990,352[2] | $ 87,744,823[2] |
| Denmark | 1,994,898 | 590,853 | 5,182 | 34,606,410 | 277,695,000 |
| Finland | 2,993,479 | 366,134 | 1,562 | 25,195,350 | 60,076,440 |
| G. Britain | 9,216,400 | 150,016 | 1,090 | 2,693,325 | 54,119,154 |
| Norway | 2,013,000[2] | 204,356[2] | 1,363[2] | 5,277,453 | 36,082,466 [2] |
| Sweden | 2,484,626[2] | 395,474[2] | 1,541[2] | 15,250,626 | 54,412,800 |
| Switzerland | 2,828,624[2] | 362,927[2] | 6,136[2] | 21,324,324 | [3] |

1/ See 1/, Table II.
2/ 1934
3/ Figures not available.

NOTE: Figures of total farmer's trade unavailable, making percentage calculation impossible.

# UNIT III

## AMERICAN BACKGROUND AND GROWTH

Individualism has to a very great degree characterized almost every phase of American life from the time of our first settlers. It is the American way and it is doubtful that any true American would have it otherwise. The vastness of space and unlimited resources gave rise to the individualistic way of life, equalled nowhere else in the world. However, with all of the conflicting economic forces which are now bringing pressure upon at least certain classes of United States people, our spirit of individualism has taken additional meaning. Groups of people having similar problems have found that they can, by working together, accomplish more for each member concerned and for the group than can be accomplished by individual action.

About three centuries were spent in populating our frontiers and in making use of the vast quantity of natural resources, to the extent that we cannot run away from our problems any longer. With a populated country, though not densely as yet, we have to face our problems and learn how to live together in harmony.

For more than 100 years the American farmer has been learning how to cooperate with his neighbor in various types of Agricultural enterprises. But the movement in

this country has been one of cycles, with certain sections of the country going in for cooperatives for a period of time and then out again. Increasing interest has been shown in marketing cooperatives during periods of low selling prices, and decreasing interest during periods of high selling prices.

The first half of the nineteenth century witnessed the starting of several cooperative organizations in the United States; however, due to inefficient management and lack of support, none of them ever amounted to very much, nor are they operating today.

With the coming of the second half of the nineteenth century there was a gradual tightening of the farmer's belt and a new interest in farmer organizations which resulted in the organization of several worthwhile and long lasting cooperatives, operating and doing a big business today. Some of these cooperatives have, to a great degree, shown cooperative possibilities in our country.

With the founding of the National Grange in 1867 the organized farmer began to exert much more influence in business and politics. The Grange movement was first started as a social and fraternal organization for farmers, but did not make much progress until the economic problems of the farmer were incorporated into its objectives. By the end of 1871 charters were issued

to 133 cooperatives. By the end of 1874, this number had jumped to 11,927. With the passing of this depression, Grange interest decreased considerably. However, by the end of 1879, forty states had one or more Grange organization.

The demand that the National Grange set up business enterprises became so strong that the National headquarters, in Washington, D. C., referred the question of business ventures to the state and local units. The result was that various granges set up marketing, purchasing, manufacturing of farm implements, and other enterprises on a cooperative basis. At its annual meeting in St. Louis in 1874, a declaration of purposes was drawn up as follows:

"We propose meeting together, talking together, working together, buying together, selling together, and in general acting together for our mutual protection and advancement. We must dispense with the surplus of middlemen, not that we are unfriendly to them, but that we do not need them."

It is thought that the greatest contribution of the National Grange was the formulation and distribution of a set of principles and rules for the organization of cooperative stores. This was the result of a study made by Grange representatives of the European Cooperative Movement combined with a study of conditions in this

country.

The nineteenth century ended with about 1,000 farmer cooperatives operating in this country, handling livestock, livestock products, grain, fruits, and vegetables. Herbert Myrick, in his book "How to Cooperate", published in 1891, stated, "The true way out of the evils that now afflict both producers and consumers is through an agency that already exists. This agency requires no favored legislation, no political revolution, and no social overthrow. Its success has been abundantly demonstrated under the most adverse circumstances. It supplies its own capital, insures its own prosperity, and increases in practical beneficence with age. No phase of belief can take exception to it, nor does it antagonize the reforms in politics, government, taxation, in land finance, or transportation that are now so prominent in the public mind".

The years between 1900 and 1922 witnessed a very rapid increase in farmer organizations and services rendered by them. By the end of 1922 there were about 12,000 operating cooperatives in the United States, and this method of marketing was adapted to most products where sufficient quantities would permit car lot shipments. Thus, local shipping points were beginning to assemble, grade, pack, and load products for shipment, receiving a higher percentage of the products' wholesale

value.

Also within this same period, cooperatives went a step further and at central markets, cooperative selling agencies were established. The local shipping units kept the selling agency in products to sell. This step formed a very strong link in the cooperative chain. The California Fruit Growers Exchange is an example of such a selling agency, which in 1938 was serving about 13,000 fruit growers and doing an annual business of from eighty to one hundred million dollars. The Eastern shore of Virginia Produce Exchange is another example, which also does purchasing for its members. Its annual business turnover has varied much, but going as high as nineteen million dollars.

The twentieth century marks the beginning of legislation in favor of and encouraging farmer organizations and cooperative action.

In 1913, the Office of Markets was formed in the United States Department of Agriculture, its number one project being, "Cooperative Purchasing and Marketing", headed by a man with fifteen years of farmer cooperative buying. The cooperative Research and Service Division of the Farm Credit Administration is really a continuation of the cooperative purchasing and marketing project of 1913.

In 1914 the Smith-Lever Act was enacted by congress,

which is the basis of extension service of the United States Department of Agriculture and the state agricultural colleges. This act also provided for a major portion of the funds for the county farm and home demonstration agents. Though not their main work, much guidance has been given in the cooperative movement by these agents.

The Clayton Act of 1914 provided that "the anti-trust laws shall not be construed to forbid the existance and operation of labor, agricultural or horticultural organizations, formed for the purpose of mutual help, and not having capital stock or conducted for profit, or to forbid or restrain individual members of such organizations from lawfully carrying out the legitimate objectives thereof, nor shall such organizations, or members thereof be held to be illegal combinations or conspiracies in restraint of trade, under the anti-trust laws".

The Capper-Volstead Act, which was enacted into law in 1922, provided that "farmers, planters, ranchmen, dairymen, nut and fruit growers may act together in associations corporate or otherwise, with or without capital stock in collectively processing, preparing for market, handling, and marketing in interstate and foreign commerce such products of persons so engaged, ....provided, however, that such associations are operated for the mutual benefit of the members."

In 1926 Congress passed the Cooperative Marketing Act, which provided for a division of the cooperative marketing activities within the United States Department of Agriculture. This division, among other duties, was to "acquire, analyze, and disseminate economic, statistical, and historical information regarding the progress, organization and business methods of cooperative associations in the United States and in foreign countries." The Cooperative Research and Service Division of the Farm Credit Administration performs the above functions under this act.

In 1933 all Federal Agencies extending financial aid to farmers were brought under one administrative unit, the Farm Credit Administration. The Farm Credit Administration has helped the farmer to solve his credit problems by creating agencies through which the farmer may help himself. This is made possible through such agencies as the National Farm Loan Associations for long-term loans and the Production Credit Association for short-term loans, both of which operate cooperatively. Farmers are also aided in financing marketing and purchasing through loans extended by the Banks for cooperatives, to farmer cooperatives.

Probably the most welcomed cooperative movement for the American farmer and rural dweller began in 1935 when the Rural Electrification Administration was established. Its purpose was to make electricity available to rural areas through governmental organization and supervision

of local electrical cooperatives. As of December 31, 1939, more than ninety-two percent of the $268,037,293 allotted by the Administration had been borrowed by cooperatives. These loans are supposed to be self-liquidating within a period not to exceed thirty-five years, and bear interest at the rate of about two and one-half percent.

# UNIT IV

## RECENT GROWTH OF VIRGINIA FARMER COOPERATIVES

Farmer cooperatives in Virginia have witnessed a steady growth since 1930. Ward (1) estimates that about eighty thousand Virginia farmers or about half of our total number are members of cooperatives. As shown in Table IV, the total number of cooperative members was 303,404 for the crop year 1944-1945. This indicates that most of the state farmers who are cooperative members patronize several cooperatives.

Membership gains during the last decade have been greatest in the purchasing and electrical cooperatives. The expansion of Southern States Cooperative accounts for a large share of the increase in the membership of purchasing cooperatives; also some new local purchasing associations have had recent origin. The rapid increase in electric cooperative membership is attributed to the Rural Electrification Administration's rapid expansion. The Southside Electric Cooperative, Crewe, Virginia, in their "Questions and Answers About the Southside Electric Cooperative and R.E.A.", page 1, states that there were 34,126 R.E.A. consumers in Virginia as of June 30, 1946. This figure exceeds the figure listed in Table IV by 11,126, which is an increase of 48.5 percent over the 1944-1945 figure.

TABLE IV

TOTAL COOPERATIVE PARTICIPATION OF VIRGINIA FARMERS FOR CROP YEAR 1944-1945[1]

| Type of Cooperative | Number of Cooperatives | Number of Members | Number of Patrons | Volume of Business |
|---|---|---|---|---|
| Marketing | 64 | 26,074 | 29,385 | $33,253,766[2] |
| Purchasing | 62 | 77,766 | 103,936 | 23,046,730[3] |
| Electric | 15 | 23,636 | 23,000 | 1,233,680 |
| Locker Freezer Storage | 2[4] | 850 | 1,850 | 27,986 |
| Miscellaneous Services | 7 | 1,407 | 1,500 | 141,174 |
| Auto and Life Insurance | 2 | 87,500 | 87,500 | 3,033,529 |
| Mutual Fire Insurance | 41 | 73,000 | 73,000 | 737,000 |
| Dairy Herd Improvement Ass'ns. | 29 | 457 | 457 | 30,240 |
| Dairy Cattle Sales Ass'ns. | 3 | 85 | 85 | 62,315 |
| Production Credit Assns. | 13 | 6,293 | 6,293 | 4,747,725 |
| National Farm Mortgage Loan Ass'ns. | 89 | 6,336 | 6,461 | 370,200 |
| Totals | 327 | 303,404 | 333,467 | $66,684,355 |

1/ Ward, Gordon H., "Farmer Cooperatives in Virginia". The University of Virginia NEWS LETTER, Vol. 22, No. 18, June 15, 1946.

2/ Includes $2,221,047 marketing by 18 purchasing ass'ns.

3/ Includes $267,851 purchasing by 5 marketing ass'ns.

4/ One of these plants is operated by a cold storage cooperative that markets fruits.

Ward states that between 1930 and 1944-1945 the dollar value of farm products marketed cooperatively has nearly trebled, but the physical volume of farm products sold cooperatively has not made this increase. Using the 1910-1914 average prices as a price index of 100, in 1930 the Virginia price index stood at 120, while for the crop year 1944-1945 this index was 240. After making corrections for the price increase, the physical volume of products marketed cooperatively increased about one-third during the intervening years.

Between 1930 and 1944-1945 the greatest percentage increases in cooperative marketing were in dairy products, eggs and poultry, wool, and dark tobacco. From 1930 to 1944-1945 the proportion of milk and cream marketed cooperatively increased from 31.4 percent to 43.2 percent; poultry and eggs increased from 1.5 percent to 14.5 percent; and wool from 1.4 percent to 49.5 percent. In 1944-1945 The Virginia Dark Fired Tobacco Growers Association, Inc., handled 49.4 percent of the crop; this association had not been organized in 1930. The total volume of farm products marketed cooperatively in Virginia for the crop year 1944-1945, amounted to fifteen percent of the total production.

Due to the development of local livestock auction markets the livestock shipping associations handled 2.8 percent more livestock in 1930 than in 1944-1945.

However, Ward states that with the development of the cooperative livestock slaughter plants in the Shenandoah Valley and in Southwest Virginia this trend will reverse.

The value of supplies purchased cooperatively has increased from $3,680,461 in 1930 to $23,046,730 in 1944-1945. After making corrections for the change in price level for these years, the physical volume increase amounts to about five hundred percent. A great deal of this increase is attributed to the growth of Southern States Cooperative as a wholesale and manufacturing supply agency and the retail cooperatives affiliated with it. Southern States Cooperative, after much recent expansion, now handles almost all major items used in producing crops and livestock, with the exception of farm machinery.

The county Farm Bureau Cooperatives serve the farmers in both the marketing of products and in the purchasing of supplies; also, by being affiliated with the Virginia Farm Bureau Federation they represent the farmers in legislative and lobbying capacities. Many of the Farm Bureau cooperatives purchase the major portion of farm supplies from Southern States Cooperatives. Likewise, many independent local cooperatives use Southern States Cooperative as their main source of supply.

Both the Farm Bureau and independent cooperatives during the past decade have broadened their services

greatly by handling staple groceries, clothing, and general household supplies along with regular farm supplies. Table V shows the extent of cooperative purchasing in Virginia for the crop year 1944-1945.

TABLE V

SUPPLIES PURCHASED COOPERATIVELY IN VIRGINIA--1944-1945[1/]

| Type of Cooperative | Number of Co-ops. | Number of Members | Number of Patrons | Volume of Purchases |
|---|---|---|---|---|
| Farm Bureau Cooperative | 11 | 11,900 | 12,600 | $6,734,503.15 |
| Independent Local Cooperatives | 17 | 9,905 | 15,147 | 3,720,157.93 |
| Southern States Cooperative-Service Stores Cooperatives | 25 | 25,533 | 29,298 | 5,988,640.42 |
| Southern States Cooperative-Through Dealer Agents | 1 | 26,905 | 43,040 | 5,540,922.14 |
| Southern States Cooperative-Petroleum Cooperatives | 8 | 3,523 | 3,851 | 794,655.21 |
| Marketing Cooperatives | 5[2/] | 532[2/] | 610[2/] | 267,851.44 |
| Totals | 62 | 77,766 | 103,936 | $23,046,730.29 |

1/ Same as 1/ Table IV.
2/ Omitted from totals.

Mutual insurance companies including fire, auto, and life insurance are the most widespread cooperative activities of the state. Mutual fire insurance is Virginia's oldest form of cooperative enterprise, several of the present companies dating back to the middle of the nineteenth century. As listed in Table IV, the combined cooperative membership of fire, auto and life insurance companies was 160,500 for Virginia in 1944-1945, with a combined business volume of $3,770,529 for the same year.

The number of dairy herd improvement associations as listed in Table IV in no way reflects the value and importance of these associations. They offer very valuable service by employing a professional tester to test each member's dairy herd each month. Scientifically the boarder cows are screened and can be disposed of, and feeding of the remaining herd can be adjusted to production, thereby decreasing costs, and increasing volume and quality of production.

# UNIT V

## RECENT COOPERATIVE TRENDS

An accurate and complete analysis of cooperative participation in the United States is practically impossible, since there is no one central organization which cooperatives have to register with or submit reports to. However, today, according to the most recent records obtainable, cooperative activities influence the lives of more than half of our 6,000,000 American farm families.

Still foremost in the cooperative world are the marketing and purchasing associations. They are placed together because of the difficulty in separating their activities, since many of them do business in both fields. It was found by a "door-to-door" survey made by the Bank for Cooperatives, of Baltimore, Maryland, assisted by the state agricultural colleges, that for the year ending 1937, seventy-three percent of all marketing associations perform other services, mainly purchasing, while twenty-seven percent of all purchasing associations do marketing also.

A large percentage of the marketing and purchasing associations should have passed their experimental years, according to the "door-to-door" survey of age distribution shown in Table VI.

TABLE VI

AGE DISTRIBUTION OF U.S. COOPERATIVE ASSOCIATIONS - 1937

| Age | Number | Percent |
|---|---|---|
| Less than 6 years | 1,926 | 18 |
| 6 to 10 years | 1,828 | 17 |
| 11 to 15 years | 1,234 | 12 |
| 16 to 20 years | 2,285 | 21 |
| 20 to 25 years | 1,401 | 13 |
| Over 25 years | 2,078 | 19 |
| Total | 10,752 | 100 |

A number of the cooperatives listed in Table VI were found to have been operating continuously since before 1870. Annual sales of thirty-four of these associations ranged from ten to one hundred million dollars, 295 cooperatives had annual sales in excess of $1,000,000. However, the average annual turnover was between $50,000 and $100,000.

A trend of marketing and purchasing associations for the past decade has been towards the formation and growth of large-scale cooperative business, and that of broadening of the services rendered by the associations. Many purchasing associations are adding to their original line of goods, such as gasoline, oil, feed, fertilizer, farm hardware, farm and household equipment, building materials,

groceries, and other consumer goods. Much expansion also is shown in such operations as, operating feed mills, fertilizer factories, petroleum refineries, chick hatcheries, cotton ginning, cotton warehousing, forest management, auction sales, rural electric service, rural health associations, artificial breeding associations, and cooperative farm machinery groups; also performing the service of carrying products through to terminal markets, along with the services of grading, processing, and packing. Further discussion on most of these services will be found later in this chapter.

One reason for the change in the trend of cooperatives from small to large scale business is emphatically shown by relative expense relation of various size cooperatives. In the "door-to-door" survey, all cooperatives were grouped as small, medium, and large, and the expense of operation calculated in percentage of sales for each group, as shown in Table VII.

For all cooperatives the aggregate of expenses amounted to 7.3 percent of the total sales; however, not being able to obtain this figure for private enterprises we cannot make a comparison. Table VII clearly points out the expense advantage of large scale cooperative business. A diligent study of ways and means of further reducing cooperative operating costs is now being made by economists connected with the Farm Credit Administration and other

agencies.

TABLE VII

U.S. COOPERATIVE OPERATING EXPENSES SHOWN AS PERCENT OF SALES - 1937

| Type | Small | Medium | Large |
|---|---|---|---|
| Citrus Packing | 35.9% | 24.8% | 22.5% |
| Cheese Factories | 14.5 | 12.7 | 11.7 |
| Creameries | 13.5 | 9.3 | 7.3 |
| Livestock Shipping | 3.4 | 2.5 | 1.7 |
| Feed Stores | 8.3 | 7.9 | 6.6 |

The following 1937-38 figures taken from the "door-to-door" survey and the Farm Credit Administration's report, show the most recent trends in the growth of marketing and purchasing associations:

| | 1937 | 1938 | 1944-1945 |
|---|---|---|---|
| Associations | 10,732 | 10,900 | 10,150 |
| Membership | 5,270,000 | 3,400,000 | 4,505,000 |
| Business | $2,196,000 | $2,400,000,000 | $6,740,000,000 |

The crop year 1944-1945 figure, as given by United States Department of Agriculture, the report of the Farm Credit Administration, shows an increase in business of more than 180 percent over the 1938 business. Some of this can be attributed to war prices, but the significant point shown here is that cooperatives held their place

during boom times, when in former boom years private businesses have caused cooperative trade to decrease considerably. Membership increase for the same period was 32.5 percent; however, the total number of associations shows a decrease of almost seven percent.

The gains and losses in number of associations, membership, and business for the seven leading cooperative marketing enterprises are listed in Table VIII. These figures cover a period of seven years, including four war years.

In five of the seven enterprises listed in Table VIII, there was a decrease in the number of associations. However, this decrease in number of associations is not surprising, since the tendency for the past ten or more years has been that of consolidation for economy of operation. Also some associations have been liquidated and some have been reclassified from marketing to purchasing. The decrease in total number of associations was about twelve percent, while the total business had an increase of 138 percent. The war time commodity selling price and increase commodity production per individual member accounts largely for the 138 percent business increase.

DAIRY PRODUCTS. Dairy associations have decreased some in numbers, due to consolidation of some and liquidation of some of the weaker associations. However,

## TABLE VIII

## COMPARISON OF LEADING U.S. COOPERATIVE MARKETING ENTERPRISES, 1938 and 1944-1945

| | | Associations | Membership | Business (in thousands) |
|---|---|---|---|---|
| Dairy Products | 1938 | 2,421 | 700,000 | $ 686,000 |
| | 1944-1945 | 2,214 | 726,000 | 1,294,000 |
| | Percent + or - | -8.5 | +3.7 | +88.6 |
| Cotton Products | 1938 | 415 | 350,000 | 110,000 |
| | 1944-1945 | 530 | 266,000 | 178,000 |
| | Percent + or - | +27.7 | -24 | +61.8 |
| Grain | 1938 | 2,619 | 360,000 | 475,000 |
| | 1944-1945 | 2,285 | 484,000 | 1,286,000 |
| | Percent + or - | -12.7 | +34.4 | +170.9 |
| Fruits and Vegetables | 1938 | 1,164 | 164,000 | 300,000 |
| | 1944-1945 | 962 | 208,700 | 984,000 |
| | Percent + or - | -17.3 | +26.6 | +228 |
| Livestock | 1938 | 926 | 600,000 | 312,000 |
| | 1944-1945 | 661 | 695,000 | 730,000 |
| | Percent + or - | -28.6 | +15.8 | +133.9 |
| Poultry Products | 1938 | 194 | 106,000 | 91,000 |
| | 1944-1945 | 160 | 130,600 | 225,000 |
| | Percent + or - | -17.5 | +23.2 | +147.2 |
| Wool and Mohair | 1938 | 130 | 50,000 | 11,300 |
| | 1944-1945 | 130 | 122,500 | 35,000 |
| | Percent + or - | 0 | +145 | +209.7 |

membership and business show substantial increases. They are enlarging areas of procurement and sales; also in quantity of products manufactured and increased services to members.

For the past two decades there has been a noticeable trend toward the development of large regional dairy cooperatives and sales organization. Dairy cooperatives now make or control more than thirty-five percent of all butter, about twenty percent of all American cheese, and handle or bargain for fifty percent of our total fluid milk supply.

COTTON. The increase in cotton cooperative associations can be partially accounted for by the organization of many cooperative cotton gins, oil mills, and cottonseed processing plants. The large decrease in membership in the 1944-1945 figure of Table VIII can be partially explained by the fact that the Commodity Credit Corporation loan on cotton was equal to or above market price, causing many farmers to discontinue use of their cooperative.

GRAIN. Grain cooperatives, though decreasing in number of associations for the past fifteen years, have made substantial gains in membership and business volume within the last ten years. Grain cooperatives are showing a definite policy in applying better management and operating efficiency, and in organizing from the bottom

up, rather than from the top down, as was started by the government in 1929.

FRUITS AND VEGETABLES. In the past few years, fruit and vegetable markets have been greatly benefited by an increased consumption of citrus fruits, juices, fresh and processed vegetables. With continued purchasing power, this high level of consumption may be expected to continue. Many cooperatives have entered the field of prepackaging fresh fruits and vegetables; also, frozen foods. Both of these have excellent future promises. Many chain foods stores and wholesalers are buying larger amounts of produce direct from local cooperatives and individual producers, which causes the outlook for regional or national fruit and vegetable cooperative federations to be less favorable.

LIVESTOCK. The 1944-1945 statistics show an increase in terminal livestock marketing, but this most likely is a result of wartime conditions and demands, since the trend has been toward decentralization in marketing in recent years. The trend seems to be toward more local slaughter and processing plants nearer the source of supply and consumer areas. This will probably cause a decrease in need of cooperative livestock shipping associations, but may give rise to cooperative slaughtering, processing, and cold storage plants.

POULTRY AND POULTRY PRODUCTS. Table VIII indicates that there has been a decline in the number of poultry and egg associations since 1938, but at the same time there has been a strong increase in membership, business, and in competitive influence. The decrease in the number of poultry cooperatives is due largely to a reclassification of poultry cooperatives to other types, mainly purchasing; that is, when the other services performed by the cooperative exceeds that of poultry products. There are now more than seven hundred other cooperatives handling poultry products and supplies. We now have well established poultry cooperatives in most major poultry producing areas, and it is felt that they will hold their present status with excellent possibilities of expansion in membership and business.

WOOL AND MOHAIR. Local wool and mohair cooperatives are looking more and more to state and regional cooperatives as marketing agencies. During the past few years there has been an increase in cooperative marketing on the part of wool producers.

TOBACCO. The tobacco cooperatives are staging a very slow, but gradual comeback. The tobacco farmers cannot forget the sad experience of a few years ago, when the three large but weak burley, dark, and bright tobacco associations went out of business, due to organizational weakness and membership disloyalty.

In 1938 eleven associations reported a membership of 70,000 and a business of $13,000,000. In 1944 there were thirteen tobacco cooperatives scattered throughout the producing areas, but only handling a small portion of the crop.

On February 17, 1947, a meeting was called in Raleigh, North Carolina, of all those persons interested in growing and marketing flue-cured tobacco. Its purpose was to organize "The Tobacco Associates, Inc." At this meeting the problems of uncertainty of foreign markets, the price collapse, and Federal government interests were discussed. It was brought out in this meeting that three departments of the Federal government concern themselves with tobacco export; these are: Agriculture, Commerce, and State Departments. But they agreed that "what is everybody's business is nobody's", so the group voted to set up the organization and to raise $100,000 and employ competent talent to make a thorough investigation of the tobacco markets and industry. Flue-cured tobacco farmers are determined this time to look after their own business.

PURCHASING. The 1943 records of the Farm Credit Administration show 2,728 farmer purchasing cooperatives, with service to 1,660,000 patrons and a business of $730,000,000. Since 1938 the increase has been 4.9

percent in number of associations, 84.4 percent in membership, and 108 percent in business turnover. Purchasing cooperatives include those in which the purchasing of farm supplies amounts to more than fifty percent of their business volume. In recent years purchasing associations have broadened their operation to include a greater range of supplies, but diversification has been greatly restricted during the war shortage years. A substantial increase in volume is anticipated as equipment and supplies become available.

A large portion of all local purchasing cooperatives now use the services of regional or national organizations. This trend of recent years has greatly strengthened the cooperative purchasing movement by having advantage of combined buying power and other advantages of large-scale operations, such as manufacturing and procurement. Regional organizations have made possible the development of eight cooperative petroleum refineries, some of which obtain crude petroleum from their own wells. A very noteworthy improvement in the quality of business and financial management of cooperative purchasing associations has accompanied the cooperative integration movement.

FOREST. During the past ten years, much interest has been shown in some areas for the organization of forest cooperatives to facilitate the management and

proper usage of farm woodland and other forest property. Because of the nature of the forest crop, farmers and small woodland owners have great difficulty in properly marketing this crop. As a result, the farm forestry enterprise does not make a regular contribution to the farm income. This movement has not gone far enough yet to take on any well defined pattern, but the associations which have organized perform such forestry operations as cutting timber, logging, operating saw mills, buying timber from members, caring for woodland, and marketing lumber. The largest association is the Otsego Forest Products Cooperative, at Cooperstown, New York, with about 950 members.

This may be a means by which small land tract owners may keep control of their woodland and derive income from it, because large corporations are now buying all the woodland it is possible to buy in some sections of the country. The United States Gypsum Company is now buying all woodland it can in some parts of Virginia and other states.

RURAL ELECTRIFICATION. Cooperative farm and rural electrification has made and is making tremendous strides. As of June 30, 1946, there were about 900 R.E.A. cooperatives furnishing electricity to about 1,549,057 consumers in the United States. As of June 30, 1944, the R.E.A. had made cooperative loans totaling

$474,899,007, of which $366,836,416 had been advanced to 745 operating cooperatives in forty-six states. As of June 30, 1944, $34,579,184 in principal repayment had been made, of which more than sixteen million dollars was ahead of schedule.

From very reliable reports, rural and farm people are now receiving dependable electric service at much lower rates than they did before this agency came into existence; in fact, the existence of the cooperative lines has caused much reduction in rates and reduced patronage requirements for the construction of new lines by private companies. This is a general saving to all, which very probably would have taken many years to be put into force had it not been for effective cooperative competition.

These R.E.A. cooperatives are not confined to farmer membership, but to all people in rural areas who desire the service. At the present, about seventy-five percent of all consumers are farm families. The non-farm users consist of more than 15,000 rural schools and many thousand churches, community, and other building throughout the United States.

This program, if given support and backing by consumers, can and will be one of the most beneficial large scale movements ever to be undertaken by the rural people of the United States. With proper education and

training in the uses of electric power, it should promote farm family health and welfare, and decrease time, labor, and cost factors in certain farm and home chores, assist in recreational and cultural pursuits, increase farm income, and encourage more business and local enterprises by making low cost power available.

FROZEN FOOD LOCKER PLANTS. During the past ten years, cooperatives have had a large share in the rapid expansion of local food processing and frozen locker plants. More than five hundred such plants were cooperatively operated in 1944, serving about 150,000 members. Most of these are in the North Central states, but there is a growing interest in the south, central, and Atlantic coast states. Some of these are separate organizations, but many are in conjunction with cooperative dairy and other cooperative enterprises.

The most recent trend of locker and storage plants is toward more complete food processing, or as much service to the patrons as possible. The modern plants now provide facilities and personnel for slaughtering, cutting, grinding, rendering of fats, chilling, freezing, and packaging of fruits and vegetables. Since electricity is of more general usage, it is possible that home freezers may partially take the place of frozen food lockers.

In many small communities we now find food

processing plants operated cooperatively, where the patrons come to the plant to do their food processing, and receive the use of modern, up-to-date equipment. In these plants we see such operations as meat grinding, lard rendering, meat and vegetable canning, and other processing operations. These plants are adaptable to practically all size rural communities.

INSURANCE. In 1942 there were about 2,000 mutual or cooperative insurance associations, having a membership of about 3,300,000 and more than 17.5 billion dollars of insurance on their books. The majority of this was fire insurance. However, mutual companies offer other insurances, such as windstorm, hail, automobile, life and livestock disease and accident. For the past few years the number of associations has remained about constant, but membership and business have constantly increased.

FARM CREDIT. In long term loans, the 2,200 National Farm Loan Associations throughout the United States operating in conjunction with the twelve Federal Land Banks were servicing about $1,200,000,000 in loans as of August 31, 1944, along with about $450,000,000 in other bank loans and real estate sales contracts. This is one immense cooperative in which the farmers of America now own all voting stock.

To service the farmers' short term credit needs, on June 30, 1944, there were 517 Production Credit

Associations in the United States with a membership of 340,000. In 1943 these associations provided over five hundred million dollars in short term credit to member borrowers.

Since the starting of the thirteen banks for cooperatives in 1933, each year an increasing number of associations have borrowed money from these institutions. This is a type of credit, with low interest and designed especially to fit the needs of farmer cooperatives. As of the end of September, 1938, these banks were servicing 1,663 cooperative associations, which had a total membership of about 1,800,000 farmers.

During the inflation period, all types of loan associations not only discouraged the borrowing of money for inflationary expansion but encouraged the reduction of debts from increased farm income. Repayments are being made at rapid rates. At the close of 1943, over ninety percent of all farm mortgages held by National Farm Loan Associations were of current status.

MINOR COOPERATIVES. Throughout our country there are many cooperatives of smaller business volume but of major importance in service to their patrons. There are about 4,000 mutual irrigation companies, mostly serving the farmers of the Western states. There are about 2,000 mutual telephone companies providing switchboard and line service, furnishing more than 500,000

farm families with a modern means of communication. In 1944, United States dairymen maintained 1,124 Dairy Herd Improvement Associations, whose chief function was that of cow testing. Many of these are unincorporated, but do employ cow testers; and accomplishments are immeasurable in increased production and herd improvement. This type of cooperative has been very progressive, organizing many new associations in recent years.

Other small but growing cooperatives include such services as land terracing, artificial animal insemination, medical care, burial, pest and insect control, trucking, nut processing and marketing, raw beet and cane sugar manufacturing plants, honey and maple syrup marketing, hay marketing and other small enterprises. In 1942 there were forty burial associations, with a membership of 30,000, and thirty-five medical care associations with service to more than 100,000. In 1943 there were sixty-five beet and cane sugar cooperatives, and forty-eight nut handling associations, with a membership of about 50,000 and a business of over $150,000,000.

GROUP SERVICES. The long employed cooperative activities found in "group services" aptly justify recognition. They are usually an informal unincorporated group of two or more farmers who bargain to own and use jointly such services as: machinery, sires, motor trucks, spraying outfits, and other farm operating equipment.

This type of service is proving very helpful to many small farm operators, giving them the advantage of expensive modern equipment at reduced rates. As of March 31, 1944, there were in active operation 16,512 cooperative group services established with Farm Security Administration assistance, (which is now Farmers Home Administration). This does not include the countless number of group activities organized by farmers of their own initiative.

# UNIT VI

## JOINT FARM-CITY COOPERATIVE ACTION

During recent years there has developed a cross of joint cooperation between the farmer purchasing cooperative and the city consumer cooperative. This movement has had its greatest growth in areas where farmer purchasing associations handle consumer goods. So far this combination functions mainly in regional and national cooperatives rather than in local retail associations. Thus a number of farmer purchasing cooperatives have joined with city purchasing cooperatives to form the only nation-wide wholesale purchasing cooperative, National Cooperatives, Inc.

This was a very significant move, for it bridged the gap between two organizations having the same purpose--mutual advantage through mass purchasing power. In spite of opposition on the part of some leaders of both groups this cross has occurred and has shown hybrid vigor, making a substantial growth.

From a survey made in 1935-1936 by the U.S. Department of Agriculture, it was found that nearly sixty percent of all money spent by farm families was for consumer goods and services. As purchasing cooperatives expanded their services in consumer goods to be of more service to the farm family, many city and urban dwellers

became anxious to have this consumer goods service. Likewise, many farmer organizations were willing for urban and city people to have the service in order to increase the scale of operation and saving. Figures are not available to show the extent of this joint movement on the part of city people, but about half of the farmer purchasing associations now handle consumer goods.

In 1939, National Cooperatives, Inc., acted as a purchasing agent for fourteen regional farmers' associations and an unknown number of city consumer cooperatives, purchasing for nearly a million farm and city consumers. This was scattered over twenty-six states, with additional purchases for Canada. It is reported that about two-thirds of the large wholesale cooperatives use the brokerage services of National Cooperatives, Inc., in buying gasoline, grease, kerosene, lubricating oil, automobile tires, and accessories, radios, household electrical equipment, farm machinery, tractors, groceries, and other consumer goods. Now many of its articles are purchased on the basis of quality specifications and are labeled "Co-op" brand.

Another combined farm and city cooperative movement is the nation-wide educational program, through the Cooperative League of the United States of America. From 1916 until recent years, membership in the Cooperative League has been mostly city consumer cooperatives.

The league reported in 1939 that fourteen regional farmer cooperatives participated in its activities. These fourteen associations had a business volume of forty million dollars, or about twenty percent of the total wholesale business of farmer purchasing cooperatives in 1938-1939. This joint service has given for the first time a nation-wide educational association that is representative of consumers in general. The additional support has enabled the league to carry out on a much wider scale its dual function of, (1) schooling members of affiliated associations in the principles of cooperation, and (2) broadening the public's knowledge of the aims and operations of the cooperative movement.

These joint movements have significance because they have developed from the realization that farm and city people have similar problems and interests as consumers.

# UNIT VII

## COOPERATIVE POSSIBILITIES

Since cooperative enterprises are very flexible, they may be used as a means of solving practically any group economic or service need. As needs and requirements change, the cooperative must make adjustments and changes accordingly. Cooperative possibilities are and will be in proportion to how efficiently groups employ the cooperative principles and practices to meet their needs.

Some cooperative possibilities are:

1. To increase efficiency of commodity production by:
   a. Keeping farmers advised on improved methods and techniques in production.
   b. Keeping farmers better informed as to market demands for type, quality, and quantity of farm products.
   c. Reducing the cost of supplies, equipment, and services used in production.
   d. Making production loans available to suit the farmers' needs.
2. To increase marketing efficiency by:
   a. Performing more of the processing ordinarily done by other agencies, such as sorting, grading, cleaning, packaging, packing, slaughtering,

canning, labeling, freezing, storing, transporting, and other processing.

b. Decreasing of commodity spoilage and waste by shortening the handling process.

c. Offering for sale only those products of high standard and uniform quality.

d. Storing of farm products and feeding the market as demand requires.

e. Securing favorable market distribution of farm products, avoiding scarcity in one area and gluts in another.

f. Developing marketing methods suitable to the needs of the farmer.

g. Reducing the amount of duplication in marketing service.

h. Keeping consumers better informed as to availability and quality of products for sale.

i. Educating consumers to require less marketing service at reduced prices.

j. Decreasing speculation through increased competition.

3. To increase purchasing efficiency by:

a. Improving buying power through mass bargaining.

b. Keeping more of the wealth in producing areas.

c. Decreasing service charges on goods and services purchased.

4. To provide services not otherwise obtainable by:
   a. Acting as spokesman for organized agriculture.
   b. Uniting for joint special services when impracticable for individual ownership or operation.

# UNIT VIII

## COOPERATIVE PROBLEMS

The fact that cooperatives have recognized many of their problems and have begun to direct conscious effort in overcoming them is very strong evidence of a growing movement. Future growth and expansion of the cooperative services will be in proportion to their ability to satisfactorily solve arising problems.

The problem of first importance is that of cooperative education. Until very recently, cooperative principles and practices have not had much attention in our educational system. Most of our past educational emphasis has been aimed at developing independent and individualistic action. Our people have not been taught and in general have not learned, that by uniting our efforts with those of our fellowman we become more independent. We become better fitted to perform complex jobs for ourselves, jobs which probably could not be performed by individual action.

Also in the educational problem is that of combating many false statements and miracle promises made in the past by enthusiastic but uninformed cooperative supporters. In entirely too many instances cooperative associations have been expected to perform tasks which they were not fitted for. Many ardent supporters have made promises

that by cooperative action farmers could prevent depressions, control prices, secure cost of commodity production, and eliminate the middle man and his profits. Cooperatives have never been able to fulfill such promises. These statements were made and believed largely on account of the lack of understanding of economic principles and of cooperative possibilities. This is a problem of education.

Cooperatives have the educational problem of keeping its members regularly informed on their everyday problems. The members must have up-to-date worthwhile information on production, marketing, purchasing, and on improved methods and techniques if they are to be progressive and loyal supporters. This must be continuous. When it is considered that cooperatives are controlled by the members, and that eighty-six percent of the associations are on a basis of "one man--one vote", it is evident that intelligent action and worthwhile results are dependent on interested, informed, and responsible membership and employees.

Another problem requiring continual attention is that of promoting operating efficiency. The ideals and long-time objectives are not strong enough forces to assure advancement of the movement. The cooperative is a business and must be operated as such. Continual study must be devoted to reducing operating cost, bettering

the methods of financing, improving the accounting procedure, increasing and improving services to patrons, finding new market outlets, adapting commodities to market demand, and any other possible improvements to increase efficiency.

The problem of our government sponsoring production control programs and marketing agreements has recently been given much thought by some of our cooperative leaders. The question is how long will the government enhance the price of farm products and engage in the program of surplus disposition. All of this has been kept on a very friendly working basis, but should these programs continue through government action, it may weaken the farmers' voluntary self-help movement. Cooperative leaders do not desire such direct assistance from the government.

From the "Report of the Inquiry on Cooperative Enterprise in Europe", pages 117-118, a part of an address by Roosevelt is quoted:

"Nevertheless, while the Government can help through its resources, we in Washington have recognized that cooperation and cooperatives must come from the people themselves. The Government can see to it that the rules of the game are fair as between cooperative enterprise and other enterprise. Initiative and management must spring from the bottom up rather than from

the top down."

Cooperatives must compete with other forms of business and special favors weaken their ability to compete. It is argued by some that if cooperatives are favored by tax exemption, and they do succeed in great expansion, eventually they may have to be taxed to the full extent to help support the operation of our government. This is possible but not probable, for the farmer cooperative generally pays every tax which is paid by any other comparable business organization with the exception of the federal income tax.[1/] Our government and most other governments have maintained that patronage refunds are not taxable, except for the tax already set on individual income. This theory is also the same for private retail trade paying rebates to their customers.

1/ Bradley, W. L.: TAXATION OF COOPERATIVES, American Institute of Cooperation, July 1945, Revised and Enlarged June, 1946. p. 31.

## UNIT IX

## SUMMARY OF PART II

From the study of the latest available statistics on cooperative participation in Virginia and in the United States, the writer thinks that a definite growth has been shown in both cooperative membership and patronage during the past decade; and, furthermore, the major portion of this growth has occurred during the abnormal forties, which were prosperous agricultural years.

Also out of the success and failure of cooperative organizations has developed a rather definite set of principles which are now looked upon by most cooperative leaders as essentials to successful and lasting cooperative achievement. These principles are:

1. Open membership and ownership, irrespective of race, nationality, politics, and religion.
2. Democratic control, one member--one vote.
3. Limited returns on capital, and the return of savings to the members as patronage refunds in proportion to their patronage.
4. Regular provision of funds for promotional and educational work.
5. Efficient management with constant training of cooperative employees to increase their efficiency.
6. Honesty in all affairs of the cooperative, with no business secrets.

7. Cash trading.
8. Trading at market prices.
9. The cooperative must satisfactorily meet a definite group need and be flexible enough to meet changes in the need.

# PART III

## UNIT X

## VOCATIONAL AGRICULTURAL INSTRUCTION AND COOPERATIVE PARTICIPATION IN VIRGINIA

To determine the extent of participation in cooperative organizational work and training by vocational agricultural instructors, questionnaires were mailed to 234 vocational agricultural instructors in Virginia. This included both white and colored schools, but did not include any veteran classes.

This summary is based on 142 questionnaire replies, which is sixty-one percent of the total number mailed out. All summations and percentages are given as white and colored combined. All percentages are expressed to the nearest whole number.

From the 142 questionnaire replies, thirty-five schools reported cooperatives functioning in or in connection with agriculture classes. Of these thirty-five operating cooperatives, thirty-seven percent were organized during the forties, thirty-four percent during the thirties, and twenty-nine percent before 1930, or the starting years were not listed.

It was reported that local farmers were responsible for starting sixty percent of these thirty-five associations, twenty percent started by F. F. A. and N. F. A.

chapters, and twenty percent by a combination of vocational agricultural classes and farmers. Seventy percent of those cooperative organizations started by vocational agricultural classes have been organized since 1940.

Of the thirty-five reported cooperatives, fifty-six percent were listed as combinations of marketing, purchasing, and special service, twenty percent were marketing only, twelve percent were purchasing only, and twelve percent were special service only.

Marketing associations reported handling the following commodities: milk, butter, cheese, eggs, broilers, livestock, wool, grain, strawberries, potatoes, tomatoes, and other vegetables. More associations reported handling livestock and dairy products than any other commodities; however, no one commodity was reported in any great majority.

Given in order of reported frequency, purchasing associations were selling the following items: Seed (crop and garden), fertilizer, feed, farm machinery and hardware, groceries, plants (crop and garden), insecticides, gasoline, clothing, baby chicks, and automobile tires. The listing showed that sixty-four percent of the purchasing associations sold seed, fifty-three percent sold fertilizer, forty-one percent sold feed, and thirty-two percent sold farm machinery and hardware.

The special service associations listed such

services as: pure bred sires, fruit tree spraying, electricity, farm machinery repair shops, and farm machinery pools.

Only twenty-four of the thirty-five reporting cooperatives listed the number of members and non-members serviced. These twenty-four were servicing 11,893 members and 930 non-members, or an average of 496 members and thirty-nine non-members per association. The largest membership reported was 4,500 and the smallest was fifteen, while sixty-seven percent of the reports listed from twenty-five to one hundred members. Four of the associations were found to be servicing more non-members than members, and in five associations non-members serviced equalled fifty percent of the membership.

The methods used in financing these cooperatives were about equally divided between (1) percentage or fee charge on service rendered, (2) annual membership dues, and (3) withholding savings from members. Only four of the thirty-five cooperatives listed stock ownership, while three were listed as originally financed by a loan.

In all cases mentioned, the boards of directors were elected by membership vote. Three associations reported as having no board of directors; however, details of their operation were not obtained in the questionnaires.

Of the thirty-five cooperatives, seventy-one percent were found to be independent organizations and twenty-nine

percent were local units of a central organization.

The accomplishments of the associations were: (1) eighty percent reported lower costs for products purchased; (2) sixty percent reported that competition improved the service rendered by competitors; (3) forty-nine percent listed higher prices for products sold; (4) forty-nine percent listed service which was not obtainable elsewhere in the community; and (5) forty-three percent reported lower marketing cost. The percentage in each case is in terms of total number of reporting associations.

It was found that (1) seventy-four percent of the associations were sponsoring community improvement programs; (2) sixty percent, educational programs; (5) twenty-six percent, social activities; and (4) eleven percent, papers or news letters.

One association was reported to be preparing rental shops for such needed services as shoe repair, barber, and hair dresser; also medical and dental offices.

Of the cooperative practices or operating procedures which have received most criticism, five reports listed criticism by independent dealers of the fact that cooperatives were taking their trade even though the cooperatives were not tax-paying organizations, to help support our government.

To obtain a general picture of cooperative

instructional needs, of cooperative instruction offered, and of cooperative possibilities, questions 18 through 33 were included in the questionnaire (numbered here as numbered under Section III of the questionnaire for reference). The replies are listed with each question.

Did you take any courses dealing with cooperative organizations while in college? (18) Yes, 70; No, 71.

Would you be interested in having cooperative material presented during summer short course? (19) Yes, 117; No, 22.

Do you point out advantages and disadvantages of cooperative practices in your classes? (20) Yes, 133; No, 6.

Do you use local cooperatives for field trips or other class purposes? (21) Yes, 51; No, 84.

Approximate number of class hours devoted to instruction in cooperative principles and practices yearly. (22) The average of 142 replies was six hours per year, while eleven percent indicated no cooperative instruction offered in their classes.

Are cooperatives discussed in your F. F. A. Chapter meetings? (23) Yes, 110; No, 29.
If "yes", about how many meetings per year? It was found that cooperatives were discussed on an average of 1.8 F. F. A. and N. F. A. Chapter meetings per year, while twenty-five percent of the chapters indicated no discussion

of cooperatives in their meetings.

Does your library have adequate cooperative reference material? (24) Yes, 25; No, 105.
Would you like to have specially prepared material on the subject? Yes, 131; No, 6.

Is there a need for additional organized service in the community? (25) Yes, 107; No, 24.

Could a cooperative supply the needed service? (26) Yes, 90; No, 13.

Has the starting of a cooperative been attempted during your stay in the community? (27) Yes, 50; No, 85.

Has a cooperative gone out of business during your stay in the community? (28) Yes, 16; No, 118.
Of the 16 reported cooperative failures, seven were attributed to lack of membership interest and loyalty, eight failures due to inefficient management, and one failure to wartime shortage of equipment.

How many cooperatives are now operating in the community? (29) There were 187 reported cooperatives; however, there is a possible duplication in this report where school communities are close together. The thirty-five schools which reported now having cooperatives connected with agricultural classes also reported eighty-three other cooperatives operating within their community. In other words, one-fourth of the school communities have nearly one-half of the total reported cooperatives. Forty-four

schools, or thirty-one percent of the total questionnaire replies, listed no cooperatives as functioning in their school community.

What is the general attitude of your farmer school patrons toward cooperative organizations? (30) Favorable, 113; unfavorable, 19.

Are your vocational agricultural students satisfied to leave the problem of marketing and purchasing to individual service agencies? (31) Yes, 62; No, 62.

What is the most important marketing problem in your locality? (32) The answers to this question were many and varying. In reported frequency order, the main problems were: (1) distances from markets too great; (2) failure of farmers to properly prepare and grade produce for sale; (3) inadequate storage facilities for perishable commodities; (4) monopoly control, and too much profit by existing buying and selling agencies, and (5) inadequate marketing facilities for local produce, such as: eggs, poultry, and vegetables. From the 142 replies, 104 or seventy-three percent expressed some form of marketing problem encountered within their school community. Many of them listed more than one problem.

Do you have any tentative plans for additional cooperative organizations in your school or community? (33) Yes, 42; No, 93. Three of the forty-two "yes" replies stated their intention of trying to improve the services and

operations of existing cooperatives. The other thirty-nine replies expressed plans for new or additional cooperative services. Some of these plans are already in the process of organization, while others are as yet only in the planning stage.

The reported plans include such cooperative services as frozen food lockers, community farm machinery pools, pure bred pig clubs, vegetable and fruit markets, pure bred sires, general marketing and purchasing, tobacco, livestock sales, cooperative marketing and purchasing with F. F. A. Chapters, N. F. A. Chapters, and veteran classes organized with F. F. A. Chapters.

The thirty-five schools now having cooperative participation reported forty percent of the listed plans for new or additional cooperative participation.

# UNIT XI

## SUMMARY AND CONCLUSIONS

Increased interest and growth in cooperative activities is indicated in vocational agricultural instruction by the fact that thirty-seven percent of the cooperative participating classes, as reported in the questionnaire replies, started their cooperatives during the forties. Additional need and interest was further indicated in that thirty percent of the reporting schools expressed intention of sponsoring new or additional cooperative services in the near future.

Furthermore, since eighty-four percent of the reporting agricultural teachers expressed a desire of having cooperative material presented during their summer short course, a positive interest and growth trend is shown. This indicates either a growing cooperative interest at present or an expected growth when our production catches up with demand and prices drop. It further indicates that cooperative interest is starting at the bottom with the future farmers, farmers, and agriculture teachers. This is believed to be the successful starting point.

It is concluded that the need for additional organized services in the school communities is abundant as was indicated by eighty-two percent of the reporting teachers. Also that it is possible for cooperatives to

supply a large percentage of these needed organized services according to the belief of ninety out of 103 teachers who answered this question. After studying the problems mentioned in summary statement number 32, the writer concurs with the belief of the agriculture teachers in that it is possible for cooperatives to supply a large portion of the needed organized services in agricultural school communities.

## UNIT XII

## RECOMMENDATIONS

From the increasing cooperative interest and expansion, it is recommended that formal cooperative training be made a requirement for vocational agricultural teacher trainees. Also that some instruction in cooperatives be given the present agricultural teachers during their summer short courses.

It is recommended that adequate cooperative reference material be supplied the vocational agricultural school libraries, since ninety-six percent of the reporting teachers expressed a desire for additional cooperative references.

It is also recommended that agriculture teachers be encouraged to put more teaching emphasis on farm business principles and practices, especially the advantages and disadvantages of the individual and cooperative methods used in the marketing of farm products, in the purchasing of farm and home supplies, and in securing other needed services.

In view of the expressed intention of increasing cooperative services by many agricultural teachers, it is recommended that they be warned about becoming too enthusiastic in advising the organization of a cooperative until the problem has been very carefully studied;

also that they may be greatly benefited by seeking the advice and assistance of professionally trained cooperative workers prior to organization.

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# APPENDIX

## QUESTIONNAIRE USED IN SURVEY

January 31, 1947

TO: SELECTED TEACHERS OF AGRICULTURE

FROM: S. B. McGHEE, Jr., PALACE APTS., #5, CHRISTIANSBURG, VIRGINIA, GRADUATE STUDENT IN AGRICULTURAL EDUCATION

SUBJECT: THE USE OF COOPERATIVE ORGANIZATIONS IN VOCATIONAL AGRICULTURAL TRAINING IN VIRGINIA

Will you please give the information requested below and return this letter to me, using the enclosed stamped envelope? It pertains to cooperatives which service the people of your school community and which vocational agricultural instruction has assisted in organizing, developing, or supporting. As an individual report this will be treated confidentially, but will be used along with reports from other schools in preparing a summary for Virginia. Your kindness and promptness will be greatly appreciated.

I. Cooperative organizations functioning in or in connection with your school. (If more than one, please choose the one receiving greatest support from Voc. Agri. and/or giving greatest support to Voc. Agri.)

1. Name of cooperative functioning in or in connection with your school or vocational agriculture classes: _____ (If answer is "none", please skip to Section III.)

2. When organized (year): _____.

3. Membership now (number): _____.

4. Organized by: F.F.A._____; 4-H_____; farmers_____; Other (specify):_____.

5. Type of organization: (Check) Marketing__; Purchasing __; Special Service__; Combination __.

6. Commodities handled (list 5 leading):_____ _____.

7. Numbers serviced: Members_____; Non-members_____.

8. Method of financing Cooperative:_____.

9. Board of Directors, how chosen:_____.

10. Cooperative is (check one) independent___, local of a centralized organization___, other type (name)__.

II. Accomplishments of the Cooperative (Check the appropriate items).

11. Improved the service rendered by cooperative's competitors:_____.

12. Higher prices received for products sold:_____.

13. Lower costs for products purchased:_____.

14. Lower marketing costs:_____.

15. Service rendered not obtainable elsewhere in community:_____.

16. Cooperative sponsors: (a) educational programs___
(b) social activities___
(c) Community improvement programs___
(d) paper or newsletter___
(e) other (specify)_____
_____.

17. Practices or operating procedures that have received most criticism. (List):_____
_____.

III. Cooperative instruction and cooperative needs:

18. Did you take any courses dealing with cooperative organizations while in college? Yes___; No___.

19. Would you be interested in having cooperative material presented during summer short course? Yes___; No___.

20. Do you point out advantages and disadvantages of cooperative practices in your classes? Yes___;No__.

21. Do you use local cooperatives for field trips or other class purposes? Yes___; No___.

22. Approximate number of class hours devoted to instruction in cooperative principles and practices yearly:_____.

23. Are cooperatives discussed in your F.F.A. chapter meetings? Yes___; No___. If "yes", about how many meetings per year?_____.

24. Does your library have adequate cooperative reference material? Yes___; No___. Would you like to have specially prepared material on the subject? Yes___; No___.

25. Is there a need for additional organized service in the community? Yes___; No___.

26. Could a cooperative supply the needed service? Yes___; No___.

27. Has the starting of a cooperative been attempted during your stay in the community? Yes___; No___.

28. Has a cooperative gone out of business during your stay in the community? Yes___; No___. If "yes", why?_____.

29. How many cooperatives are now operating in the community?_____.

30. What is the general attitude of your farmer school patrons toward cooperative organizations? (Check): Favorable_____; Unfavorable_____.

31. Are your vocational agriculture students satisfied to leave the problem of marketing and purchasing to individual service agencies? Yes___; No__.

32. What is the most important marketing problem in your locality?_____.

33. Do you have any tentative plans for additional cooperative organizations in your school or community? Yes___; No___. If "yes", please list plans briefly below:

_____

_____

Name_____Name of School_____

Number years at this school_____. Number of years vocational agriculture has been taught in this school_____.

Thank you very much.