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Questions and Answers

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Marketing

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Conference

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Our county agents, extension workers, and others greatly feel the need of the information and experience of those best acquainted with the principles and practices underlying the efficient marketing of our leading agricultural commodities. The conference held last November, in which specific questions coming from the floor were frankly discussed by persons especially selected for the purpose, was, therefore, very helpful to those present. So clear was our conviction in this regard that a printed report of the conference has been prepared with the hope that it may be of service to the many in Minnesota and elsewhere who are interested in securing a greater net income for farmers.

W. C. COFFEY

Questions answered by:

- General**—Prof. O. B. Jesness, University of Kentucky
Milk—H. R. Leonard, Manager of Twin City Milk Producers' Association
Butter—H. F. Meyer, Manager of Butter Sales Department, Minnesota Co-operative Creameries Association
Livestock—J. S. Montgomery, Manager of Co-operative Livestock Commission Company
Eggs—W. J. Corwin, Manager of State Poultry Marketing Campaign, The Farmer
Wool—R. E. Jones, Minnesota Co-operative Wool Marketing Association
Wheat—G. C. Jewett, Manager of American Wheat Growers', Associated
Potatoes—S. G. Rubinow, Organization Manager, Minnesota Potato Growers' Exchange

THE EXTENSION RESPONSIBILITY IN CO-OPERATIVE MARKETING

By F. W. PECK
Director, Agricultural Extension

The principal function of the agricultural extension service is the dissemination of all information available on any agricultural subject of interest and value to farmers.

Extension workers, particularly in the counties, are attempting to deal with the kind of information that will lead to definite improvement of practices. To my mind, this means that available information must be so interpreted that it can be put into practice and produce definite and positive results.

One general impression of the activities of county agents in co-operative marketing is that they have been organizers of such projects, solicitors for individual farm contracts, and therefore were aligned on one side of the question against commercial interests and individuals who were not particularly active for co-operative marketing. Most certainly this is not characteristic of extension agents, by design, or in many instances of their actual activities in behalf of co-operation.

People believe that there are differences in principles of co-operative marketing, and in specific business practices that attempt to carry these principles out. However, unless the principles that are believed sound and practical can be carried into effect in such a way as to result in definite practices, of what use is it to champion such principles? There are times in the experience of extension workers who are particularly close to farmers when it is absolutely necessary to state specifically one's views on specific questions under consideration.

Furthermore, these views can be given in an impartial manner and the arguments presented both for and against such questions, but the fact remains that an agent is known as being in favor of a certain practice and as backing it to the best of his ability, or as not in favor of it and not sustaining it as a project.

From the very nature of his work it is essential that the extension agent be fortified with facts to sustain his position. For that reason we need all the practical information obtainable dealing with specific operations of co-operative enterprises. I am of the opinion that most of us

have believed in the theory of co-operative marketing, in the right of the producers to market together in their own behalf, if they see fit, but the principal questions arise as to forms of organization, whether local and federated, or central-control agencies or combinations of these two forms, the methods of pooling, the advisability of using a contract to enforce a delivery of products, financing methods, and many other questions of practice.

Extension agents can not escape their responsibility in attempting to furnish to their farmers all information possible dealing with co-operative marketing. As conveyors of truth we can all readily agree regardless of how that truth affects individuals or combinations of individuals.

As public agents, however, we are not organizers of farmers' movements or solicitors for farmers' contracts, and we are not to be held responsible for the financial success and management of farmers' organizations or co-operative commodity marketing associations. I think we should be exceedingly careful to point out the prospective difficulties, the risks of operation, and the fact that the farmers in their collective action are far more responsible for the success of their own marketing machinery than are those of us who attempt to bring information to them.

In order to clarify the atmosphere on several practical questions in commodity marketing, the program for the day has been arranged. It is believed that there has been considerable misunderstanding on certain principles and practices, and in order to present definite information the discussion has been arranged in the form of definite questions submitted by field workers with the answers given by managers of marketing associations.

QUESTIONS AND ANSWERS

GENERAL

O. B. JESNESS

"Before answering questions I would like to say a few words in order that you may have in your minds some idea of the tobacco marketing problems. Tobacco is distinctly different from any commodity you have in Minnesota. There are several types of tobacco. In Kentucky we have two general divisions: the Burley, grown in central Kentucky, the home of the Burley Tobacco Growers Co-operative Association; and the dark tobacco, grown in western Kentucky and western Tennessee, handled by the Dark Tobacco Growers' Co-operative Association. Tobacco differs from most commodities in that its outlets are for the most part highly concentrated. Burley tobacco is purchased mainly by four tobacco companies. There are several smaller ones but these furnish the principal outlet."

1. Why does Kentucky not have local tobacco marketing associations?

The outlets for Burley tobacco are such that a handful of domestic manufacturers constitute the principal market. Tobacco is one commodity for which strictly local associations would be largely ineffective. There is too great a danger that the large buyers would pass by the local association and I think this is why Kentucky has not organized locally.

2. Would the new tobacco organization have been better off if it could have built upon strong local organizations? How would it have incorporated them into its system?

This is purely a hypothetical question. Granted that it had been possible, the answer would be yes. Probably the biggest difficulty is maintaining contacts between the management and the members in a large, centralized association. Definite locals aid in maintaining such contacts.

3. How much of the higher price obtained for tobacco last year was due to market conditions and how much to the new organizations?

That question is easy because no one knows the answer. I could point to lots of friends who would say the association was responsible for all of it. Burley tobacco averaged 13 cents a pound for the 1920 crop, and 21 cents for 1921, the first year of the association. The association has not yet sold all its holdings of the 1922

crop so we don't know what the average is going to be, but it probably will be somewhat higher than in 1921. The association was undoubtedly one of the factors in obtaining higher prices for the 1921 and 1922 crops. The size of the crop is also a factor. The 1920 crop was very large, more than 300,000,000 pounds, and of poor quality. The 1921 crop was 100,000,000 pounds less. The improvement in business conditions is a third factor involved in bringing about better prices.

4. If co-operative marketing organizations are successful in a large way will not the problem of restricting production be the most important one to be faced?

That will be one of the difficulties as long as we persist in holding to the idea that our co-operative marketing associations are going to control prices. But I think we shall soon get educated away from that idea. At times it is not very popular to mention certain fundamental factors among some of our people, but I think we have to come to greater recognition of the fact that prices are controlled mainly by economic factors, and if the association is going to control prices it will have to exercise control of those factors which include production and supply.

5. What elements are the determining factors in the true success or failure of co-operative marketing?

The real test of a co-operative marketing association is its ability to obtain a better price for its members than they otherwise can obtain. That is the farmers' yardstick. Getting better prices involves such things as economy and efficiency in operation, good management, sufficient volume of business, membership loyalty, and business methods. It is also well to bear in mind that the members are not going to continue to support an unprofitable venture.

6. What is the weakest link?

I should say the member. We are laying too much stress on the legal part of the program. You may be able to keep a man in line by holding the legal club over his head, but I question very much whether you want to do that in the long run. The member you have to hold by force is a poor member. So many of the things the association must do depend upon active participation of the member himself. In regard to eggs, for example, quality depends on the care by the member, and will not be obtained unless you have intelligent members who will follow the suggestion of the management in regard to the care of the product and the delivery. That is why I say the member often is the weakest link.

7. What is the limiting factor in financing co-operatives and what is the best method that has been worked out?

The limiting factor, singling out one, is the lack of confidence, which includes both lack of confidence on the part of the man who is lending the money and on the part of the members. For the second part of the question, no one best method has been worked out. There is no one method. There are really three classes of financial requirements. There is financing of permanent equipment and facilities; financing of operating expense and overhead, and financing the carrying of products in storage. Issuance of preferred stock is helpful in financing permanent equipment and facilities. One thing in regard to financing, the member frequently overlooks. He must appreciate that he is in a business organization and because of that he must be ready to assume his share of the financial burden. Of course, you hear much about what the Danish farmers are doing. It is my understanding that they assume unlimited liability. I doubt if we want to do that under our conditions, but the members must be willing to assume responsibility.

8. Would the preferred stock for buying or building elevators or warehouses or egg grading stations be considered an investment attractive to individuals or to banks?

Not as a rule to banks, and very frequently not to individuals. Investors are inclined to look more to accomplishments than to prospects, and you must remember that you are dealing with a new venture and new ventures always have hazards. You must depend on your own members and upon interested outsiders, rather than cold-blooded investors.

9. Would such stock be considered attractive by commercial banks or investment banks, and why?

Commercial banks generally will not regard such stock in new ventures as attractive for their purposes. Investment banks and houses will handle it. Some conservative houses may prefer to push established issues. An investment house in Louisville has handled preferred stock issued in connection with the acquisition of warehouses for the Burley association.

Considerable advertising of such stock has been noted, indicating that perhaps investors have not bought it as quickly as some expected. This emphasizes the importance of the members being willing to supply considerable capital even where the preferred stock plan is employed.

10. Is there a fundamental psychological effect upon farmers by taking away any opportunity for individual bargaining in which under the present system they may excel and thereby obtain a larger price than others?

I am not sure that the question is entirely clear, but as I understand the question, it has in mind particularly those individuals who have a reputation for squeezing the last penny out of the buyer of their products. The answer in that case is, it is likely to be true. Often, of course, it will be imaginary because a man may be using his hind-sight and will compare average prices of the market with the high points of the market. It is more likely to be true with grain and livestock with which the farmer is more accustomed to follow the market quotations from day to day than with products for which the markets are less highly organized.

11. Is there danger of mediocrity from the selling standpoint, in the present co-operative plan?

As this is linked up with the previous question, I suppose reference is made to the question of quality. In some cases it is true that the pooling system and adoption of grades may affect a few in this way. Some producers have higher quality than the average of the best grade in the pool, and it does tend to discourage people in that class.

12. Has the operation of commodity co-operatives wherever they have been tried resulted in a reduction in prices paid by the consumer?

There we encounter the question of "commodity" organization. I want to say right here that I do not like that term. Grain elevators and shipping associations are just as much "commodity" organizations as one organized on a particular plan. The answer is that the associations have not generally lowered the price to the consumer. Ordinarily they do not follow their product to the consumer but may reduce the spread between the producer and the consumer so as to get better prices without a corresponding increase in the consumers' prices.

13. The statement was recently made that the middlemen would be needed just the same under the new plan as under the old but that they would be employed to work for the producers instead of against them. Is this statement true and correctly interpreted?

Let us look to the reason why middlemen have come into existence. Middlemen have come into existence largely because of an opportunity to perform a service for which they can get a return. The insinuation that middlemen generally work against the farmer rather than for him is more popular than true. If you eliminate the

middlemen through establishment of marketing associations, you do not eliminate the necessary services which those middlemen have been doing. This does not necessarily mean that associations may not perform such services more effectively and economically. Their success depends upon their ability to do so.

14. Has any one decided on how much business is necessary in various commodities in order to insure low cost operation per unit of product?

A specific answer to that question would be worthless because conditions vary so greatly. First of all, let us get over the idea that an association is not engaged in marketing unless it covers the universe. Local elevators, creameries, and livestock shipping associations are engaged in marketing. They may not be engaged in national distribution or in organized price fixing, but that is not their purpose. The problem of obtaining a big enough volume of business to obtain market control enters into the co-operative marketing of only some commodities. With the exception of whole milk, it may be left out of consideration for Minnesota products. As far as the volume of business in the potato association is concerned, I would rather have five thousand growers in a concentrated district signed up than to have twice that number scattered over a large territory, as the expense of operation would be considerably more where the growers are scattered. After all, the big expense is usually the local expense, and the concentration of the business so that the volume of business in localities served is sufficient to permit of economical handling is more important than the total volume.

15. Is it sufficient argument to say that all these co-operative organizations are for the public welfare and therefore expenditures of public funds in their promotion is justified?

The answer is "No" because it is not always true that these organizations are for the public welfare. An organization started where there is little or no need for one, or where the chances for failure are rather bright, certainly would not be for the benefit of the public. In a general way you may say that co-operative marketing is for the public welfare because of the fundamental nature of the agricultural business. To illustrate the point I was getting at—if you came into the state of Kentucky and went to work boosting local co-operative creameries and justified it on the basis that it was for public welfare, you would have no ground to stand on as we have not enough cows in most communities to support such an enterprise.

16. If your co-operative creamery had enough cows to justify its existence, could you use public funds to organize it? Would it be in the interest of public welfare?

We try to keep before the boys all the time that they are educators. If they really get that distinction and will employ that yardstick there is not much question of using public funds. It is not so much, as I see it, the type of organization, altho that enters in, as the nature of the assistance which you give to it. One man goes out and renders public assistance, employs public funds, and does it entirely in a proper way; another man will do it in such a way as to bring criticism upon himself and his institution.

17. Will ill feeling be generated between farmer members in a selling organization and those who have not joined but who receive practically the same prices for their product?

It is unfortunately true, at least in some sections of the country and in some localities, that ill feeling is created. It may be partly due to the fact that feeling has been generated in order to stimulate membership. It is part of our educational work, I think, to get our farmers who join an association to appreciate the fact that a man on the outside has a right to remain on the outside.

18. In the Kentucky tobacco organizations, what control is given the central office as to the time to sell, and what is reserved in the locals?

There are some locals that some one has called "talking" locals; that is, they are informal local units where growers may meet for discussion. We have no locals so far as marketing activities are concerned. The central has all the power in selling the tobacco.

19. How far up the line is the identity of each grower's tobacco maintained?

The tobacco is delivered by the growers to an association warehouse in loose-leaf form. It is packed in baskets in the warehouse and the warehouse grader establishes the grade of each basket. Then it passes over the scales and the grower receives credit for the number of pounds he has delivered of each grade. After it is graded and passes over the scales, there is no need for retaining the identity.

20. Explain the difference between Maintenance Assessments, Liquidated Damages, and Penalties. Which are legal in Kentucky? In most other states?

Maintenance assessments are not used in Kentucky so far as I know. Maintenance assessments essentially are agreements made by members to pay to the association a

certain amount, usually based on the product, in return for the service which the association stands ready to perform for them, regardless of whether they market through the association or not. It is used more commonly with grain elevators. The maintenance assessments are usually rather nominal in amount. Liquidated damages simply means damages, the amounts of which are agreed upon in advance—that is, a man agrees to pay damages at a certain rate, for instance, \$5 a cow, or 5 cents a pound of tobacco. Failure to live up to contract involves loss of prestige by the association, as well as actual loss of income. Because this damage is hard to ascertain, it is customary to agree upon a definite amount in advance. The distinction between penalty and liquidated damage is essentially in the intent—liquidated damages are primarily a payment of damages suffered. They are restorative in nature. Penalties are essentially in the nature of punishment for failure to live up to a contract. Liquidated damages are enforceable under the law. Penalties usually are not. The name does not necessarily protect you. You may call the assessments liquidated damages, but the court may decide that they are in fact penalties if they appear to be considerably out of line with the actual damages suffered. We should avoid the use of the term “penalty.”

21. Under what circumstances is the Danish type of membership contract, which permits withdrawal upon notice once or twice a year, to be preferred? And under what circumstances the binding five-year contract with no withdrawal privileges?

The longer types of contracts, two, three, or five years, are preferable where it takes longer than one season to establish the organization and where it is necessary for the financing of the equipment, if the preferred stock method of financing of warehouse and the like is employed. One point in the tobacco organization in favor of the five-year contract was that it was necessary to put the retirement of the preferred stock on the five-year basis. It gave added strength to that method of financing. Where the problem of building up facilities or outlets is not generally large and where you do not need to establish markets by advertising, it is not necessary that the longer term of contract be employed. I think it would be highly desirable where necessary to employ contracts for a longer term than one season, that we make these contracts for one, two, three, or five years, with the proviso that at the end of the specified period the contract continue but that it may be cancelled during a certain period each year. In that way you will avoid the necessity of conducting a

sign-up campaign every three or five years. The association will be established, so the cancellation feature should not be a serious matter.

22. Why should there be any objection to the use of a business contract in a business selling organization?

There should not be any objection. If a man believes in co-operative marketing sufficiently to become a member of an organization, he should not hesitate to show his belief by entering into a definite contract.

23. Do you know of any successful co-operative marketing organizations now functioning that are not based on a business contract with members and the group itself?

The Co-operative Livestock Commission firm at the South St. Paul market is an example. The Eastern Shore of Virginia Produce Exchange is another. For the most part, however, the larger organizations are built around the use of the contract.

24. Should the contract be between the members and the central, or the members and the local?

Where there are definitely incorporated local bodies, my personal view is that the contract should be from the member to the local and from the local to the central. Where locals are strictly informal, they are not able to make contracts.

25. The Michigan Potato Growers' Exchange has a contract between members and locals, but is now reorganizing. Why?

I hesitate to answer a question of this kind. There have been some such instances in California. I think it was the Honey Producers' Exchange that eliminated the locals. At the same time the alfalfa growers' organization was taking just the opposite steps. There were arguments on both sides, so no generalization can well be made.

26. Do you believe locals can successfully enforce contracts?

If they are definitely incorporated bodies, there is no reason why they can not enforce a contract as well as the central and there is no reason why the central can not help the local in such enforcement. I think the point is well taken that the contract gives the association an opportunity to demonstrate what it can do. There is a tendency, however, to over-emphasize the legal enforceability of the contract. The mere legal enforceability of the contract will never take the place of voluntary loyalty on the part of the members.

27. Do the "pooling unit" and the "brand unit" need to be the same?

No. They are not the same in the case of the California Fruit Growers' Exchange.

28. What hardships do contracts binding marketing organizations impose on their members?

No hardships are imposed generally. In some individual cases, temporarily, growers who have been accustomed to get all their returns immediately may have caused difficulty until they were adjusted to the new way of receiving payment. This applies especially where yearly pools are employed.

29. Can a dealer in farm commodities whose business is taken away by the co-operative association have redress in the courts?

No. Not as long as the association is employing legal methods to do it. He must be able to meet the competition of the organization or go out of the business. Similarly, the association must be able to meet the competition of the dealer.

30. The middleman is in business for service and pay. Is it the conception that he is in for service or to make what he can? Which is the logical viewpoint on those questions?

It is entirely too popular to believe that middlemen have come into being simply because they wanted to bleed people and take advantage of the people at every opportunity. Middlemen have come into existence because they saw an opportunity to perform a service for which they would get a return. I think that is the proper viewpoint. While return is the thing that is in the middleman's mind when he goes into business, he has to perform some service in order to get that return.

31. Does any successful program need to have restriction of production as a part of its aim?

I would say not. The only case of extensive restriction of which I know occurred in Kentucky about fifteen years ago. Such a program will never be effective for more than about a year. Because the farm industry is necessarily left to the individual, the only real effective method of production control that I know of is through the matter of price.

Outside of whole milk the associations in Minnesota are not up against a situation where they are after market control at all. In connection with the tobacco organization we had to go in as a dominant factor, else we were afraid that the buyers might ignore the organization.

32. In regard to the question that has just been raised—suppose potato and wheat growers organize, will there be room for so much expansion in acreage?

I do not believe that organization is going to affect the general price level enough to bring a great over-supply. Wheat is too big a proposition to permit of much organized price control.

33. When the Twin City Milk Producers' Association was organized it was very difficult to get farmers into it. Now whole communities are clamoring to get into it. Is it riding for a fall in the whole group?

It is riding for a fall to the extent that folks are hinging their hopes on the question of arbitrary price control. However, we are waking to the fact that the law of supply and demand actually does work in determining prices.

MILK

H. R. LEONARD

1. How does the Milk Producers' Association calculate the price paid per pound of butterfat for its cream patrons?

We have two pools in the Twin City Milk Producers' Association, one for cream and one for milk. The milk and the cream are kept separate. We divide the expense keeping the milk and cream separate. We then figure manufacturing expense, subtract, and pay producer. The actual price paid for butter has no direct relation to milk.

2. Are the members living near the Twin Cities entirely satisfied to take the same price for their milk as those living out on the edge of the district who deliver cream almost altogether?

They would not be human if they were. We do not pay the same for milk delivered to the Twin Cities as for milk delivered at outside points. That proposition is misunderstood. All prices are based on delivery to the Twin Cities. The man who delivers to Anoka receives 18 cents less, to Northfield 33 cents less, to Elk River 28 cents less. These rates are based on the distance from the Twin Cities.

3. If the Twin City Milk Producers' Association controlled 90 per cent of the available market milk, could it not successfully obtain 5 or 10 cents per hundredweight monopoly profit for several months at a time?

No, it could not possibly. It is absurd to think of the Twin City Milk Producers' Association controlling the milk available for St. Paul and Minneapolis. New York gets its first milk about 180 miles from the city. All of our milk comes from within 40 miles of the city. If we

tried to get all the milk, we would have 30 or 40 times more than we could use. Our prices must follow close to butter and cheese so that men living within 40 miles of the city can supply us with milk.

4. Could it do so indefinitely? If the association also controlled the distribution of the milk could it obtain a small monopoly profit indefinitely?

No, I don't believe it could. There are 117 one-horse dairymen delivering in St. Paul now. If our prices were out of line the small dairymen would increase rapidly and check a condition of that kind. The public would demand that our prices be as low as any of similar size in the United States.

5. Is it wise and economically sound for co-operative milk producing associations to operate their own pasteurizing plants?

Yes, I think it is. We do not pasteurize our milk; we sell it raw. I have visited the producers' associations from coast to coast; I find they are distributing milk in Los Angeles and some other points. In Cincinnati last week they took over a three-million dollar proposition. I think it is economically sound, but our position is that if we are fair with the farmers and public as a whole, we of the Twin Cities don't care to go into the distributing end.

6. How many members have violated their membership agreements? Have you ever enforced specific performance? Or sued for damages?

Very few. With our 5700 members we have 5 or 6 a year who violate the contract. We have a clause in the contract which provides \$5 per cow penalty in case of violation. The contract is for only one year. If a man violated the contract during the year without proper notice we would hold \$5 from his milk check.

7. How much has the association invested in plants and equipment at the present time?

Fifteen plants, with \$500,000 investment. Some are making cheese and some butter. Northfield, sweet cream, retail milk and butter; Dennison, half cheese and half butter; Cannon Falls, cheese; Forest Lake, butter; St. Paul, condensed milk, casein, whole milk; Minneapolis, casein, whole milk, butter; Anoka, powder, cheese, casein; Elk River, butter, cheese, market milk; Centerville, market milk, cheese; Stanton, cheese; Cedar, cheese.

8. Is the association a stock or non-stock organization. What is the size of shares or fees? How much per member?

It is strictly a stock organization, with \$50 shares.

One share is required for each four cows the farmer milks.

9. Are the deductions from returns now being made large enough to handle the expenditures and take care of the liabilities of the association on a permanent basis? Would the members stand for larger deductions? Or do many of them (as is usually the case) think that present deductions are abundantly high?

Yes, they are. We are entirely out of sympathy with co-operatives that over-pay, they are only fooling themselves. We don't over-pay but would rather under-pay, and create a surplus to do business on.

10. Do you think that the members of the Twin City Milk Producers' Association should retail their product themselves?

There are so many things on both sides that I can't say. We have carefully investigated the retail end. We are prepared to go in, but we don't expect to go into the retail business unless the distributors of milk in the cities want us to. They may want us to consolidate; they may ask us to distribute and if they do we may go in. The other possibility is that they may try to refuse to buy milk from us and will then go into distant Wisconsin points for a supply. If they do we will go in.

11. Is it a fact that a carlot of sweet cream was shipped to New York?

We have shipped dozens of cars of cream to New York and other points. One of the Atlantic liners bought an entire car.

12. How do you divide the overhead expense?

Where we have both departments we divide on a basis of money pro rated as near as we can get it. This division is not absolutely accurate. In places like Elk River we divide it on the basis of total paid to the producer.

13. How do you get your renewal contract?

Contracts are self-renewing. We have over 5000 in effect and I had three notices of withdrawal last year. We have about one-half million subscribed and paid on a basis of 5 per cent of check; a very small amount for the amount of money the farmers have invested in the productive end of their business.

14. About what is the total business?

Our business ran a little over \$5,000,000 this year on sales of all products.

15. About what is the per cent for overhead?

I haven't the figures in percentage. The actual cost including all supplies, light, ground, etc., is running above 22 cents per hundred pounds on whole milk. The cost of handling butterfat is about four cents.

16. If the producer increases the number of his cows does it increase his percentage?

No, not when he is in for life. In our last bulletin we had a long list of farmers who voluntarily asked for more stock, 514 shares.

17. What would stop a man from starting with a small number of cows and buying a small amount of stock and building up his herd?

The farmers in this locality are pretty good fellows. Once in a while we find persons of that kind. Our stock is always worth par because we have heavy reserves for depreciation, etc.

18. What is the relation of your organization to the federal income tax?

We are exempt. The state told us at first that we would have to pay an income tax but when it was taken up with the Washington authorities we immediately got exemption.

19. What is the amount of your sinking fund?

Our present sinking fund is \$90,000. It is generally admitted that without organization producers of milk selling to large cities such as Chicago, Milwaukee, and the Twin Cities do not receive more than butterfat prices. Our average price for 1923 will be \$2.54 and the average price based on butterfat will be \$1.63. This difference of 91 cents per hundred pounds on 202,754,466 pounds handled during the year amounts to \$1,845,065. It is safe to say that the producers in the Twin City region are receiving this much more because they are organized and at the same time consumers here are paying no more than in any other city of similar size in the United States.

BUTTER

H. F. MEYER

I am glad to be here this morning. I am a new man in Minnesota, and the co-operation the county agents are giving our work is simply wonderful. When I came here there were 426 co-operative creameries in the state, making 90,000,000 pounds of butter. We have signed up 146 creameries on a pooling system making approximately 150,000,000 pounds of butter. We want all the 600 creameries in our marketing system, and we will not stop until we get them. At present this state association is the strongest co-operative organization in Minnesota. We have \$150,000 assets, mostly cash and do \$1,000,000 worth of business per year.

1. What control will the Minnesota Co-operative Creameries Association, Inc., under the new contract, have over the methods of handling milk and cream, the manufacture of butter, and the preparation of butter for market by a member creamery?

It is stated in the pool contract, butter marketing agreement, that the creameries agree to combine with all associations regarding pasteurizing, standardizing butter, etc., and making manufacturer's reports.

2. If the identity of a creamery's butter is lost, what advantage can the pooling plan offer to a creamery that has developed a good wholesale outlet for a high quality product?

At the present time a few creameries are making sweet cream butter or the so-called Navy butter, about 15¢. They are all shipping to New York and Philadelphia, but they are not getting what the product is worth. That is no reason why you can't get 3 or 4 cents premium per pound instead of 1 or 2 cents as they are now getting. We want to make Minnesota a sweet cream butter state. We can do this by creating bigger outlets, and getting bigger prices. We want to make Minnesota famous for its sweet cream butter just as California is famous for its Sunkist oranges.

3. What will be the length of the pooling period?

The pooling contract runs for two years and is self-renewing. Membership runs for one year. Not one member creamery has withdrawn. We have increased from 426 to 454 creameries this year.

4. If the pool is for less than a full year, what will be the relation of the stored butter to the pool?

We do not anticipate storing butter this year. We do not have sufficient finances. The dealers do the storing.

5. Does the association plan to sell to the regular wholesale and jobbing dealers or direct to retail stores?

No, we let the butter go to the same channels to find more outlet for it. Retail stores pay more than wholesalers. Wholesalers resell to jobbers. They get wholesalers' margin on butter. We try to find a more direct outlet for the butter.

6. Is membership in the butter exchanges contemplated?

We have membership in the Chicago and New York exchanges.

7. How many grade pools are proposed for Minnesota butter? Will all creameries in each grade pool get the same pool price?

Six. We have sweet cream butter of the different grades: 90, 89, 95, 80, 88, and undergrades. All get the same price for the same grade butter—the average of butter sold for that pool.

8. Does the Minnesota Co-operative Creameries, Inc., ever expect to have any influence on the price of butter in New York City which it does not now have? How does it expect to obtain this influence? Does it expect to store or hold butter when it believes the price is too low? How does it expect to determine when the price is too low?

That is a difficult question. You have to wait developments. We try to standardize production. We try to let it go as Minnesota butter. We have not sufficient finances to store this year or next year. Possibly in the future we shall.

9. Is there any conflict of interests or pulling at cross-purposes because of the supply sideline?

No, our supply department which supplies creameries with churns, liners, etc. is a great advantage to the creameries. We have sent out notices and are paying back to the creameries \$40,000 in profit. That helps a great deal at the present time. Other creameries are getting three or four hundred dollars refund.

10. Does the Minnesota agency expect to market butter in Duluth?

Yes. We shall market butter in the Twin Cities the first of the year. We expect to be ready the first of December and put on an advertising campaign, but we can't get our warehouse ready. We want more creameries in the organization before we begin selling.

11. In just what particular does the contract proposed by the co-operative creamery association for individual farmers differ from the standard contract used in potatoes and eggs?

No difference, it is the same contract, the Twin City Milk Co. has the same contract and it is the same as the Sapiro plan. The principle is the same all the way through.

12. How many co-operative creameries in Minnesota are making butter scoring 93 or above? How much range in quality and score is there among those scoring over 93?

That is a difficult question. I should judge that we can consider that all sweet cream creameries in the state, about 200, are making 93 score butter, first quality fine butter.

13. Is it proposed to give all these the same pool price for their butter?

All the sweet cream butter will be in one pool.

14. Will the tubs of each creamery continue to have their own creamery numbers? Or is it proposed to submerge the identity of the different creameries in the pool?

At the beginning they will, but after a while we will discontinue that.

15. To what extent do buyers at present buy butter by creameries?

Each creamery sells the entire output to a certain distributor. They do scoring and weighing and pay freight.

16. Can the large New York or Chicago butter buyers successfully dictate to the creameries manufacturing sweet cream butter in this state and compete with the Minnesota Co-operative Creameries Association, Inc., as marketing agencies?

No, they can not. We have one big sales store. If the American stores signed up the butter, the creameries would stay out. Glencoe creamery is getting more money than it would through the American stores. The American stores do not pay the highest prices.

17. Should the Minnesota Co-operative Creameries Association, Inc., attempt to market butter without the support of all its member creameries?

We want to get about 75 per cent of the total production before we begin marketing. I believe we can get all co-operative creameries to sign up. There are 130,000,000,000 pounds of butter produced in this state.

18. Have you a trade mark on your butter?

No, we are going to offer a prize for the best name. We are offering \$500 for a name for our fine Minnesota butter.

19. Does the association charge local creameries for butter sold locally?

No, no charge for butter sold locally.

20. Is there a contract between the farmer and his own creamery?

Yes, in some instances.

21. What is the present charge of the association for selling?

The present agreement is one charge—27 cents per tub, or $\frac{3}{8}$ of a cent per pound.

22. Does the 27 cents include field service, selling, etc.?

Yes.

23. Will group selling give the centralizer stronger competition?

Certainly. Take the Blue Valley creamery, for instance. It has a most efficient sales agency. It sells at better prices because it has a good sales organization. We can do the same with our sweet cream butter if we can get the marketing program and selling organization.

24. How much are you co-operating with Iowa and surrounding states?

Wisconsin creameries have asked us to come into Wisconsin, and 14 creameries in that state have joined our association. That made them sore, so Wisconsin has now decided to organize an association and we agreed to let the 14 that have joined with us go with them. The probability is that within two years Minnesota, Iowa, and Wisconsin will have one organization, selling under one name. We have fine butter coming from these three states, and it is the only place in the country where you can get fine butter.

25. Can some lower scoring butter be sold at extra prices?

You can get extra for it if you know where to put it. You can get a 90-score butter and get an extra price for it if you know where to put it.

26. What item of expense does the advertising come out of?

A special fund of \$10,000 set aside by the board of directors for advertising. One cent per pound is charged against Twin City distributors for advertising. We will charge this as selling expense.

27. How is the reserve fund created?

On a share basis.

28. Why is it necessary for a creamery to sign a contract?

We took this matter up with our attorney and he suggested that we have the creameries sign an additional rider, attached to our membership agreement.

29. Will it not be necessary for your federation to work out very soon a plan to have all patrons of the creamery under contract in view of competition coming into the state?

We have now two field men signing up creameries.

Last week we signed up over 200 patrons for a five-year period, on the standard plan. No charge for this. Every creamery must be a stockholder; \$25 for 50,000 pounds of butterfat, one share.

30. How about the patrons who sign up, do they pay?

Patrons have no payment at all.

31. Are any commission houses or sales stores trying to beat the creamery association contract?

No, we have not found a single one. One tried to sign up for five years, but we laughed at him.

32. Is the Blue Valley creamery gaining ground at the expense of the co-operative creameries?

No, it is not. We found in checking up that they get half of their cream from Dakota; the other half is scattered over the state. They are not making much headway. They have increased their price for butterfat; they started on Wednesday at 63 cents and finished on Friday at 65 cents.

33. What concessions have railroad companies made?

We have gone before the railroad companies on three propositions: (1) To permit us to unload and grade in Midway, and ship back east. That is called storage in transit. All companies have granted us that privilege. (2) To reduce rates 10 cents per hundred. All have complied with this request but the Great Northern and Northern Pacific. (3) To stop charging \$1.55 from here to New York, and they are carrying it cheaper than last year. We demand the same rate to New York and Philadelphia as they give the centralizers. We can save all creameries $\frac{1}{4}$ cent per pound on that basis.

34. When a full car is shipped would you get a ten-cent reduction from Fairbault?

There is no extra charge from Fairbault up here; the railroad companies have agreed to bring butter from southern Minnesota to the Twin Cities.

35. Is much unsalted butter being sent to New York?

Our creameries at Grasston and Hinckley are making unsalted butter, but there should be 200 making unsalted butter. Half the people in New York are Jewish and they all eat unsalted butter. We can't get enough butter for this trade. We get more money for this than for the salted butter.

LIVESTOCK

J. S. MONTGOMERY

1. Should county livestock shipping associations plan to ship actively at regular periods or should they merely retain the organization as an effective weapon to keep the buying margin from becoming too wide?

My answer would be that they should plan to ship at regular intervals and so far as possible handle the entire product out of the community. In certain localities the shipping association has some difficulty in accomplishing this, for in the southern part of the state local packing houses, because of the lesser freight rate to their plants, can afford to pay more than the shipper can possibly realize by shipping to one of our terminal marketing points. There is a way to get that if properly organized. If sufficient work is done among farmers to impress the importance of it, there is no question that if the local buyer comes in he will have to buy through the association.

2. Why isn't the Central Co-operative Livestock Commission Association a member of the South St. Paul Livestock Exchange?

The founders of the Central Co-operative Livestock Commission Association could not see any advantage in becoming or attempting to become a member of the livestock exchange. The South St. Paul Livestock Exchange, or any other livestock exchange, is nothing more or less than a union of men engaged in the commission business or speculating business on that market. It is of course advantageous on any market where a great many people are dealing with each other to have some established rules governing the transactions, and I suppose it was with that in mind that the livestock exchanges were originally established. When the Central started business at South St. Paul, the best information that could be obtained on conditions there led them to believe that such rules were simply for the convenience of the members and not enforced sufficiently to regulate their practices very much.

3. Would membership in the exchange help the manager of a co-operative association to detect and prevent unfair practices among his sales force?

So far as we can see there would be no advantage to our organization. To answer the question further, I would say they have one rule that provides that you must own one share in the exchange for each two members of the organization and with six or seven hundred members, as we recognize our membership, it would require an

immense investment for a co-operative organization to become a member of the livestock exchange. They are having difficulties on some markets because of the fact that the exchange members have declined to trade with co-operatives. In our market we met with a complete boycott on the part of exchange members and it became necessary to organize departments of our own to perform certain functions that some of the exchange members or that speculators ordinarily perform. It might have simplified our work in the beginning if we could have had free trade with the exchange. On the other hand, any livestock organization on a terminal market which places its members in such a position that they have to depend on stock speculators is not in position to perform its functions to its fullest possibilities. If all that livestock has to be handled through speculating organizations it means it is necessary to have additional expense all the way through. They are certainly adding what seems to be unnecessary expense in getting this livestock from the man who ships it in and then back to the man who needs it. It seems to me it is entirely possible for a co-operative to establish a system of carrying out the transaction without the help of the speculator.

4. Does the Central sell any livestock to stockyards speculators?

We do. It would be a comparatively small percentage of the business but we have always taken the position that we were operating an open market on which any one was entitled to buy whom we considered had the ability to pay and that our first job as a commission organization was to secure the highest possible market price. Circumstances occasionally arise in which the speculator has an order which makes it possible for him to pay more money for our cattle than the farmer buyers are willing to pay. We had a condition like that this morning. Our position in that case was to sell to the speculator because our first job is to get the highest price; but this is not an appreciable amount of our business. We do not do business for men who are commonly called "scalpers." There are twenty-five or thirty firms, small outfits, on that market who carry on quite a little business and have practically no pens assigned to them. They will go into one man's alley to buy and they will turn around and consign the same stock to another commission to be resold. There are a great many firms on the market conducting just that kind of business. We have refused to handle the resale of such stock.

5. If the Central handled 70 per cent of all the livestock sold in the South St. Paul market, could it secure a higher average price for the year? If so, how?

I believe it would be possible to secure a little higher average price for the year. I don't believe we can accomplish a great deal along that line until we have agencies at two or three other principal livestock markets that are also handling forty or fifty per cent of the livestock of those markets.

6. Are the livestock grades being developed so that there is any immediate prospect of central associations trying to pool livestock? Can you tell us what success the United Grain Growers, Limited, have had with pooling cattle at the Canadian livestock markets?

I do not believe that there is any probability of having the pooling system adopted in this country for some time. We may be working in that direction. Canada has been carrying on a plan of pooling stock cattle for seven or eight months with apparently good results, and we may eventually come to the same plan, but I doubt if we are ready for it now.

7. Is there a probability of such marketing agencies, as they develop, having any effect on the rather violent short time price fluctuations?

Yes, I think we shall accomplish a good deal more in eliminating the violent short time sharp fluctuations than in the average price for a year. Average prices for the year probably will be governed by the law of supply and demand. I have not figured out any way of operating the law of supply and demand in the marketing of farm products, but I do think where marketing agencies are handling from 30 to 40 per cent on four or five principal markets we can eliminate this large fluctuation. There is no reason why livestock should fluctuate from 25 to 50 cents in one week. Sometimes it fluctuates as much as \$1. An argument for this is to keep prices down in order to keep producers from flooding the market.

8. Have we any county-wide associations?

We have a few. I don't know that we have in this state any county organized on a county-wide plan; we have some in North Dakota, South Dakota, and Montana. I believe it is a good thing for their territory out there. For our territory I can see some advantages and some serious disadvantages. I may say that Ohio is organized quite generally on the county-wide plan. For their conditions they seem to like it.

9. Will the contract be used in livestock marketing?

I think we are coming to the point where our associations are going to be organized on a contract plan, particularly in our territory where local packers are buying for direct shipment to the plant. We don't find so much difficulty in keeping people loyal to their own organization because there is no question but the association can secure fully as much as the country buyer can. In southern Minnesota where the packing plants place a local buyer in the community and will not buy from an association, it is a good plan to organize in this way. Then there is the question, as I see it, of organizing people on the contract plan showing the disadvantages of selling direct to the buyer and you have to tie them up closely, so that the packing plant can not come in and break up the organization by offering a 10-cent higher price. If you can get them organized closely enough, then your shipping association is in a position to render real service to that community.

10. What means does the Central have to stop the fluctuation of prices?

There isn't any question that if we can control 50 per cent of the hogs on the South St. Paul market, by keeping those hogs off the market two days we can force the price up. It would be possible for me to send 100 wires today and materially cut down the receipts on hogs tomorrow. Through a little organization and a little head work you can very quickly eliminate what seems to be a surplus on the market.

EGGS

W. J. CORWIN

1. Explain the grade of eggs that will be operative in this association.

There will be two or three different grades. The quality is the same whether the eggs are large or small. We have not worked this out entirely, we have not gone quite that far. The eggs will be graded according to whether they are 22, 24, or 26 ounces, or whatever they are per dozen. Fifty per cent of Minnesota eggs will go 24 ounces to the dozen. There are two or three different grades on size, but the grade on quality is the same whether the eggs are large or small. A flat rate usually is paid, altho lower prices are paid for seconds if dealers do any grading. There will also be grading on color.

2. How will poultry be graded and handled by the association?

By age, weight, and condition. Eventually feeding and dressing stations will be established at grading centers. The problem is to move the eggs rapidly, as the product deteriorates on the way. A loss in quality means loss in value. The loss is paid for by the producer. Eggs get from the farm to the grading points in one day. The problem in marketing eggs is to move them rapidly from the nest to the marketing centers. Eggs are gathered every day or two, poultry once a week.

3. What is the minimum production of eggs for a profitable association?

That varies a little. An association with good assembling facilities can get along with less volume than another association. It would not be advisable to start an association with less than 25 carloads of eggs and 15 carloads of poultry.

4. What is the practical method of preventing small organized units from starting operations, particularly in egg marketing, when the volume of business is not sufficient to keep down overhead expense?

That is one of the most troublesome problems. No one can prevent a group of people from organizing if they want to, but from an organization or campaign standpoint it is advisable to have these people wait until their natural district is ready without discouraging them. It is best to get those already interested in the project to hustle to interest others.

5. Will the association store eggs? If so, will eggs for storage be handled in a separate pool, or will other pooling arrangements be made? How will egg storage be financed?

Under certain circumstances, yes. It probably would not be preferable to store a large number the first year of operation; a certain percentage could be stored because they are going to be stored by some one else. Sixty per cent of the eggs leave Minnesota farms within three months, but they are not eaten in three months. It will cost two cents or less to store one dozen eggs six months. Keep this in mind: the association agrees to buy and to pay for them under certain conditions. They will remit the money to the producer when it gets in, not before. They are not obligated to pay the producer before the eggs have been sold. The association may advance money to the producer either through warehouse receipts or actual sales. When eggs are actually sold and the loan paid, the balance left is prorated according to the number of dozen delivered.

6. When eggs are put in storage in April what price should be paid the producer?

The association may take the warehouse receipts and loan money as fast as the eggs go in storage. That money shall be distributed with the money received from actual sales and prorated among producers as part of that week's receipts. Payments are based on grade of eggs sent to the association. Clean eggs and dirty eggs are paid for proportionally. The person bringing small poor eggs will be paid proportionally. If there is a loss, it is charged to the producer.

7. Will the eggs be sold through the present wholesale and jobbing channels, or will a new system for distribution of eggs be developed?

The answer to that is the same that Mr. Meyers gave for butter, namely, present facilities, except as we can grow and develop new contracts.

8. Should the producer be induced to grade eggs at the farm?

Roughly. He should be encouraged to keep very poor ones at home. They are low priced and should not be thrown on the market.

9. Does the contract as now arranged allow a penalty if they do not live up to it?

Yes.

10. Is the creamery expected to play a part in this egg marketing?

As a delivery point only. The eggs move from the farm in a heavy case one-half inch thick. The farmer's name and number will be printed and burned on the case, so there will be no mixup. The truckdriver gets the case and puts it off at the cream center, where it is later picked up by the egg truck. The creamery attendant keeps a

record and checks off each man by number, with number of cases delivered to the truck driver. The same procedure is gone through with at the door of the grading center.

11. Is there at present a state egg marketing association?

The producers' contract states that when 15 similar associations have been organized they shall federate and form the Minnesota Poultry and Egg Association.

12. Would it be necessary to have a co-operative creamery at a central point?

Not if you have some other building. It depends on the creamery and whether you can rent the space. All will be paid for by the egg association.

13. What is the pooling period?

One week.

14. In April you desire to store say half of your eggs; how do you decide to take eggs out of storage?

We would not store half the eggs. In the late summer and fall or the season of minimum production they would be released. In the case of a loss or gain at the end of the year it is distributed to all producers according to the number of eggs delivered.

15. What is a fair creamery charge for handling eggs?

We don't know what a fair charge is. The board of directors at Faribault voted to give the creamery $\frac{1}{4}$ cent per dozen on eggs and $\frac{1}{5}$ cent on poultry per pound. It will be fixed in proportion to the actual service performed.

16. What is the equity of a man producing eggs during the winter months from the pool storage standpoint?

None, unless he produces eggs during the period when eggs are stored. It might be fair to spread it over the whole year. The point is that you have taken off the peak load from all producers when prices were at their lowest level. Today, under the present system, that load is bearing down heavily upon prices when 60 per cent of his stuff leaves the farm. It is taken out of storage and in that way holds the price of fresh eggs down some in the fall. The object of co-operative marketing is to keep the different points supplied with eggs to the saturation point, and not beyond.

17. Who may become members of the association?

Only the producer may become a member.

18. How many associations are there in the state today?

Rice county and 14 or 15 other places have incorporated. A campaign is on in Steele county, and other places will start as fast as we can get to it.

19. Do all poultry and eggs have to be sold through the Association?

Yes, except those used at home, hatching, breeding stock, or those sold direct to a consumer.

20. Where do the membership fees go and what are they used for?

They go direct to the secretary-treasurer of the district association and are used only for organization expense or supplies in starting the selling work.

21. Have co-operative egg marketing associations been successful?

Yes—in California, Washington, Oregon, Texas, Missouri, New Jersey, Canada, and Denmark. The results in all cases are more satisfactory than those obtained under the old system.

22. How is payment made?

They way the directors of the association decide, probably like most of the co-operative creameries—once or twice a month. After the work gets going and a little reserve fund is built up they may make a cash advance each week.

23. Does every one receive the same price per dozen or per pound?

The eggs will be graded as to size, color, quality, and condition and sold on a grade and quality basis. All having the same grade and quality will receive the same price. But those with the better quality and size will naturally get more than the average price.

24. How is the truck driver held responsible for the safe delivery of the eggs?

When he picks up the eggs at the creamery or other local point, the buttermaker or some other responsible person checks them onto his load and signs the delivery sheet, showing the number of cases and to whom they belong. The driver is responsible until he gets to the grading center, where the foreman checks the unloading and signs a delivery sheet releasing the driver. These delivery sheets and grading slips are all filed with the manager and a copy of the grading slip goes back in the empty case to the farmer.

25. How will each member be identified?

Each delivery point may be designated alphabetically, as A, B, C, D, etc. Each patron will have a delivery number—1, 2, 3, 4, etc.—branded right on his own case.

26. What kind of cases are used from the farm to the grading center and back again?

Heavy, solid cases, 6, 9, 12, 15, and 30 dozen sizes. Each farmer will have two or three cases of the size that fits his flock. The farmer's name or number is plainly branded or painted on his own case.

27. Where is the candling and grading done?
At the headquarters or grading center under the direct supervision of the manager. The cases are merely set off at the creamery by the farmer and taken the rest of the way to the grading center by the association's truck.
28. What is the reason for grading?
Eggs of a high quality are worth more and those who produce them are entitled to their full value. Proper grading insures the reputation of your products and stimulates a better demand from the consumer. Every one will strive to get into the better grades when he finds that he get more money for these grades.
29. What is done with eggs candled out?
If they can be used at all, they may go into the breaker class and are sold to bakers or cheap restaurants. If they are rotten or worthless, they are discarded entirely and so indicated on the grading slip. They will not be many poor eggs under this system because they are coming fresh from the farm every day or two.
30. Can non-members sell through this association?
No. Only producers can be members and members can sell through the association only what they produce and not what they might buy from others.
31. Why a definite membership agreement?
It protects the member, it shows just what the association promises to do. It also insures a steady large business so your overhead for grading, freight, etc., will be low. It is not binding until a large volume of business is secured and the directors feel safe in going ahead.
32. But I use my eggs at the store for groceries?
Yes, sure, like you used to do with your butter. Sell this way for more cash money and buy your groceries for cash. All stores would just as soon have you come in with cash.
33. Can the by-laws be changed at any time?
Yes, by members and according to the law.
34. Will the association handle poultry?
Yes, after the egg business is well established. Eventually fattening and dressing work will be added.

WOOL

R. E. JONES

1. What is your real pooling unit, the county or the state?
The state is the pooling unit.
2. How many grades do you maintain in your pool?
Nine or ten grades are used.
3. Is each member's wool kept separate until sold?
No. After the wool comes in and is graded, the bright quarter goes in the bright quarter pile, the semi-bright in the semi-bright piles, etc. Each grade is kept in a separate pile.
4. How do you decide when to sell?
The state association is not a speculative organization. When there is an activity in the market and when the price is satisfactory, we sell. Last spring there was a peak, considerable excitement, and early rush buying. The West sold early and the East got loaded up with high priced wool. Forty cents was paid by local buyers for Minnesota wool. At that peak and while the market was very active, we were offered 46 cents for two carloads. One customer wanted two carloads of bright quarter. We didn't sell. We fell down. We should have sold. The market looked safe and we wanted more wool in. Very shortly after that the demand ceased and the market was stagnant all summer. We were offered 38 cents for that same grade of wool when we had a fair accumulation, we pegged our price at 44 and 47 cents—44 cents for the bright quarters and 47 cents for the $\frac{3}{8}$. We thought we would sell half of our holdings. All through the summer there was no demand. We didn't quite get 44 cents and 47 cents. We finally shaded these prices one-half cent. In the meantime we had written a hundred letters to manufacturers and dealers and when we sold we came in contact with only one buyer who wanted Minnesota wools. The manufacturers are not heavily loaded. They can't sell the goods. They will not load up until there is a demand in the goods trade. Fine wool continues in very slow demand. The American is getting economical. Men's wear is running to coarser fabrics.
5. What percentage of the market price have you advanced?
About 70 per cent is advanced.
6. How much wool have you handled this year?
About 350,000 pounds.

7. Can any of the shippers demand a price? What do they say to you when they ship it?

No shipper has said to us yet "You get this price or hold it." We haven't asked any shipper what price would satisfy him. While we have sold a little more than half of our holdings, we can not render account sales on this wool until we get a cut-off so that we can give them the average price. We are now holding the remainder of our bright $\frac{1}{4}$ and $\frac{3}{8}$ at 44 cents and 48 cents and believe we can get it.

8. Do you handle any wool on your own account?

No.

9. Is there any consideration given to a producers' contract?

We have no contracts as yet with producers. If we have up to 500,000 pounds of wool, we can finance it. That is, the agency can on its own credit. Our own credit, however is limited. We can not borrow on the wool we have on hand because we do not hold title. Legally we are commission merchants and the wool legally belongs to the growers until sold and paid for. If our state association grows as it has every prospect of doing it will be necessary to use warehouse receipts to obtain sufficient money from the banks to make these advances when the wool is received. To this end the association should have contracts from the growers transferring title of the wool to the selling agency so that the agency can give warehouse receipts to obtain money for these advances. This, as we understand, is the plan generally adopted by selling agencies of our character to obtain money to make their initial advances. The state selling agency can not properly function and grow without these individual contracts.

10. Does the farmer get a grading sheet?

Yes. His grading sheet shows the advances. Advances now are on the basis of 32 cents for the clear bright medium and fine wools, without deducting freight to Wabasha. These advances are now made with money that we borrow on our own credit.

WHEAT

G. C. JEWETT

1. Has your wheat marketing system been able to secure favorable rates and terms for loans to finance the marketing of wheat?

We were able to secure rates that have been highly satisfactory. We have been borrowing money as low as 5 per cent, some at 6 per cent. We have also borrowed through the War Finance Corporation and intermediate banks.

2. What are the principal outlets for Associated wheat?

The principal outlets for Associated wheat are the American millers and foreign markets, also the exporter of wheat to foreign markets. We export that portion of wheat; we make our own sales in the foreign market; we sell on the basis of the foreign exchange, and handle our own bills of exchange. We do everything that enters into the proposition of exporting. We go directly to the mills. The value of the commodity is determined through a laboratory operation.

3. Does the Associated or state association do any cleaning, mixing or conditioning of wheat? If so, where it is done, and what are the probable savings to be derived?

With the exception of a very minor quantity, the cleaning is done at terminals. There is not a great amount done. In the Minneapolis terminal this year, because of dockage, we are doing considerable cleaning. The advantage is securing for the markets the dockage which you take out of the wheat. Where the dockage is insufficient in value to pay the cleaning charge, we put our wheat through the cleaning process. Some wheat carries so heavy a dockage that the cleaning charge is quite as high. I think there is somewhat of a misunderstanding in the minds of the public as to the amount of blending that may be done. There is opportunity to blend this year. We have a laboratory whereby we can determine the contents of all the wheat offered for market.

4. What assurance has the association that the grain delivered on local warehouse receipt will be of the same quality as that delivered to the elevator by the association member?

The association has only the ordinary operation of the business transactions as its assurance. I think, to be frank, that there are times when some interior elevators give the worst end of the transaction. As a general thing, however, we receive wheat that is satisfactory as delivered by

growers. The elevator must guarantee the wheat grades and the dockage of wheat received. If there is a difference in the grain delivered it is made up on a cash settlement basis. There is the question of protein value. To secure wheat of the same protein quality is difficult. We can only reach that by keeping track of the values of wheat that our farmers are growing in localities and keeping very close check on the values of wheat that the elevator man is delivering to us.

5. In your co-operative wheat marketing system who determines when to sell wheat? How does this agency determine when to sell and how long to store?

For price determining, or I might say price making factors, there is a centralizing agency through which the information flows, in that way keeping out of competition with the wheat of various units. The practice is followed of scheduling directors of each association to make recommendations as to how they would like to have their wheat sold. They meet the first Monday in December. They size up the whole situation and pass a resolution suggesting or recommending that there be sold for the month, let me say, 400,000 bushels. When the American Wheat Growers, Associated, gains control of a larger volume of wheat, the directors will be the determining body as to when and where to sell wheat. We have from 40 to 50 per cent of the wheat growers in about eleven states. We are a price determining factor in a minor sense at the present time. I feel that we are distinctively a price determining factor from the growers' standpoint.

6. If it is true that the spread in prices of wheat during the fall months and the following spring months is very close to the cost of carrying, wherein lies a great benefit in what is called the more orderly marketing of wheat?

There are a good many ways in which to answer that question. A great many statisticians have prepared long columns of figures to show that the price in the fall is as good to the grower as the price in the spring. There are two groups—the grower, and the grain trade which favors the system as heretofore applied, whereby the future sale operation was used to absorb a dump. There are groups that show as much as 15 cents advantage. Co-operative marketing does not propose merely to take a price which might be available in the spring and make it active and available throughout the whole season. We will want the price higher in the fall as well as in the spring. The price will probably be about the same in the fall as it is in the spring, considering carrying charges. The objective of

co-operative marketing in wheat is to put the farmer in a position to be a factor as to what he shall receive for the commodity. To go so far as to say having entire control, is going a long way. As it is a world question, it is possibly too far for us to propose that we can go. We can go so far as to be a material stabilizing price factor, elevating the whole price structure to a more proper level than we find it on today.

7. Is it true that most of the local co-operative elevators are financed by commission companies to such an extent that they are virtually in control of the operations of the elevators?

I do not believe I need to answer that question to such an intelligent audience. You know that since 1920 the operation of a country elevator has not been a financial success. The result was that a large percentage of them were financially embarrassed.

8. Is it true that the cost per bushel of handling wheat by present wheat organizations runs as high as 13 cents per bushel?

There is a great deal of mis-statement and propaganda upon that question of cost. There are certain factors which enter into the cost of handling wheat, whether it is in the co-operative movement or outside. One factor, the largest, is the elevator handling charge. These elevator men tell us that they can not handle wheat at less than $3\frac{1}{2}$ to $4\frac{1}{2}$ cents per bushel. In North Dakota the elevator men averaged 4 cents per bushel for services in handling the seed. Then the question of storage. The wheat is moved largely in the early part of the fall and must carry a storage charge. That storage charge runs from 2 to 3 cents more on an average. Then again we make each one of our growers an advance at the time he makes his delivery to the local elevator. That money we must borrow from the banks. There again is a charge in the way of interest which also applies to the man outside the association as well as within. This charge runs from 1 to $1\frac{1}{2}$ cents. When you get them all figured up it amounts to from 10 to 13 cents a bushel. Considering all these charges, you have a gross charge running from 13 to 15 cents per bushel. You also have terminal charges.

9. If the organization of wheat growers goes through as proposed at the last Chicago conference, how will the signers of contracts in the old United States Grain Growers' come in?

There are no arrangements made as yet by the national advisory committee in respect to handling the affairs

of any of the United States Grain Growers. It is hoped that a plan may be worked out by which a man who signed the contract will be relieved of any liability under that contract and will be permitted to sign a contract in the state association in the state in which he lives. For instance each of the growers of wheat in Minnesota will be permitted to sign up with the Minnesota Grain Growers' Association without payment of further fees, and with no liability under his old contract.

10. Just what is the status of the present co-operative grain marketing movement? Is there any correlation between the numerous grain marketing organizations which grain producers of the county are being solicited to join?

The America Wheat Growers Association is a central selling association for nine states. These states correlate their efforts in every respect. There is a complete unity of purpose—a complete unity of plan. There are also three co-operative organizations on the so-called California plan and four others to be organized—two in Kansas, one by the Farmers' union and one known as the Kansas Growers' Association; one in Oklahoma, and one in Texas. A plan has been agreed to in Kansas whereby the two organizations are coming together with the new organization.

11. Supposing you control 50 or 60 per cent of your wheat through this organization, how is that going . . . ?

Through a better distribution, selling the wheat on a laboratory test basis, instead of a grade basis. I believe that will improve the situation. I believe it will also be possible to approach the market in such a way that there will be a general strengthening of the whole price structure. I do not believe there is going to be this over-production.

12. How large an acreage have you under contract?

We do not have acreages. We have a little more than 4000 growers in Minnesota.

13. Is there any relation with the Equity in Minnesota?

None except a friendly attitude.

14. Are you a member of the Minneapolis Chamber of Commerce?

Yes.

15. How many bushels will you handle this year?

Approximately thirty-five to forty million bushels.

POTATOES

S. G. RUBINOW

1. In the case of an over-production of potatoes, some growers in the late pool will be able to ship and others will not. Would these latter growers receive any benefit of the pool?

Yes. All growers receive the same price for the same quality, variety, and grade, whether their potatoes are shipped or not. The entire pool works over the entire membership.

2. In the late pool, the price may be very high in the early season and low in the late season, or vice versa. Just how do the shippers get the benefit of the high prices in case it were necessary for them to ship during a period of low prices? Does the man shipping when prices are high get the full benefit of the high price?

All the potatoes are pooled and the pool runs through the entire selling season, and includes high prices and low prices. Shipments at high prices are averaged with shipments at low prices and all growers are treated alike.

3. Owing to water transportation, St. Louis County potatoes can be delivered in New York cheaper than Maine potatoes can. Could St. Louis County growers still take advantage of this situation by joining the association, and if they join would they have to share with other members not so fortunately situated?

This question is very difficult to answer. All the growers in the pool from St. Louis County would have to participate in the entire pool equally with other growers from other counties, but the freight differential would be applied in the pool not only to St. Louis County but to all other counties, depending on where the shipments went. Growers near a market join more for protection than for actual participation in shipments. Local markets are not made by local shipments, but by outside shipments that come into local markets. For example, shipments from Osseo into Minneapolis do not make the Minneapolis price. Shipments from the Red River Valley into Minneapolis and into Chicago, make the Minneapolis and Chicago prices. When outside shipments are diverted from consignment markets, local markets become higher for local shipments.

4. The contract states that any deduction or allowance or loss that the association may make or suffer on account of inferior grade, quality, or condition at delivery shall be charged against the grower individually. What does this mean?

It means that if the grower delivers inferior stuff his potatoes shall go into the lower pools. If he delivers frozen stuff, he stands the loss individually.

5. How many grade pools are proposed for potatoes? How many grades can a local warehouse in Minnesota keep separate to an advantage?

I can not answer this question. It must be determined by the organization when it is formed and incorporated. Whether the organization will make its own grades or not, is entirely up to the organization when formed and incorporated. In Maine they were using the standard U. S. grades with tobacco and cotton more than the ordinary standard grades. When this organization is formed it will establish its own grades. They may conform to the U. S. grades or extra grades may be established.

6. Will all growers whose potatoes go into the same pool get the same price, or will there be more grades or variations in price than there are pools?

This question is not clear. All potatoes will go into the same pool according to grade, quality, and variety. All growers will get the same price based on sub-pools, except where freight differential enters in.

7. What is meant by sub-pool?

The contract calls for two large pools: The early pool, which closes August 15, and the late pool, which begins August 15 and runs through the rest of the season. Sub-pools are selling pools within the large pools.

8. Regarding the situation in St. Louis County, why would it not be possible for the organization to take advantage of that situation by securing better grades, and operate independently?

They can do that.

9. Do they contemplate that?

I do not know. They can do anything they want to. St. Louis county growers are suffering from the same conditions as growers around Minneapolis and St. Paul. Potatoes shipped from Princeton, for example, to Hibbing, break the price on potatoes produced at Hibbing, which would naturally supply Hibbing, and also break the price on potatoes shipped in.

10. Will the county units or the central office have authority as to when to sell, whether or not to store, to what market to ship, etc.?

The central office.

11. Is the county to be the unit of the pool?

No, the unit of the pool is the potato itself. The county is simply the machinery through which the pools are made up. The pool is made up on the basis of variety, grade, and quality. If the county were the pool instead of the potato, there would be county pools instead of grade, variety, and quality pools. This would be incorrect.

12. How will the members who store in their own cellars be compensated for the cost of storing if all after August 15 go into one pool period regardless of time of delivery?

A storage charge will be estimated and a rental charge will be credited to members who use their own cellars as an offset against unit warehousing charges. The man who stores on the farm does not have to pay warehouse storage charges. Growers do not participate in track warehouse accommodations if they have adequate farm cellars or places for storage.

13. As the membership contract does not give the association specific control of the time when potatoes shall be delivered to the association, what assurance does the association have that it will always have a sufficient quantity of potatoes to realize its so-called orderly marketing program?

The contract has the word "reasonable" in it. That word assumes that the association can call for and procure the potatoes it wants at any place and at any time. If the roads are blocked, for example, at one place, an association can procure potatoes at another place.

14. Will not the limited handling facilities, the high cost of labor in handling several pools, and the difficulty of shipping each pool in full carlots be a very limiting factor to a large number of grades?

Perhaps so. I do not know the actual number of grades that will be worked out. It will not be advisable to have too many grades at once. The character of the grades will depend on market requirements or on what the market wants.

15. Does the exchange propose to sell a certain proportion of its crop each month regardless of price, or to judge the market and withhold when the price is too low? If so, how is it going to determine when the price is too low? If it proposes to sell a certain proportion of the crop each month, what will it do if there is so large a crop that the market will not take it at this rate, or so small a crop that it will take more than this proportion?

The exchange plans to do ultimately, when it reaches the 100 per cent perfection mark, just exactly what this question calls for. It will sell just what the market demands. It will both sell and study the market. If it

sells too much the first month, it will hold back the second month. If it sells too little the first month it will increase the second month.

16. Assuming that you have a large crop, how are you going to handle it? Will you attempt to market it, say $1/12$ each month?

Yes. Ship $1/12$ each month, if the market consumes over a 12-month period, ship $1/6$ each month if the market consumes over a 6-month period.

17. What if this amount is too large?

Very well—ship less than $1/12$ each and dump the surplus at the end of the season.

18. Dump it where?

Anywhere you want to. Where do they dump it now?

19. Make it clear by what you mean by "dumping the balance." Is there any dumping of any crop now under the present system?

Instead of dumping the surplus at the beginning of the season and paying freight on it, the surplus should be dumped at the end of the season and at home instead of at the terminal markets. At present the surplus is dumped at the beginning of the season and on the markets instead of at home. This involves the big question of the difference between supplies at point of production and at point of consumption. Agricultural products today are sold, not on the basis of what the market consumes, but on the basis of what the farm produces. This creates the so-called surplus, or over-production, theory. As a usual fact the price always breaks when the growers sell fast, and base their selling on reports of what is produced on the farm. Then the price rises because the distributors sell on the basis of what the market consumes and as in the case of potatoes, 80,000,000 bushels left in the ground may force the producer to sell cheap while the consumer is paying a high price. The producer sells because he thinks there is an overproduction, and sells cheap. By the time he gets done selling he has broken his own price so that only a part of the commodity is dug and harvested with the result that the consumer, by the time he buys, pays a high price, based either on a nominal crop or a shortage.

20. Why dump when you can sell throughout the selling season?

What you can not sell, leave unsold. Try to make demand comply with supply and supply conform with demand.

21. What do you do with growers who do not join the organization?

We do not do anything with them.

22. They can get a good price. Is that a fair proposition?

No, it is not fair to the organization,, but there are scabs in every industry and since this is a free country, those who stay on the outside can do so as long as they want to.

23. In Winona County practically every community where potato contracts have been signed expects to have a warehouse. Who will decide how many are needed and where will they be built?

Warehouses will be built, bought, leased, or rented where there is sufficient business to keep them up. The potatoes shipped through a given warehouse support it. A warehouse survey will be made to locate the need at different points. The unit of the warehousing corporation will be a county or may be one or more counties combined.

24. Will such warehouses be paid for by those who haul there or will the cost of warehouses be distributed over a large unit, as a county?

The warehouses will be paid for out of the potatoes that move through them; but each warehouse will simply be a unit in a county warehousing corporation.

25. Will there be a county manager?

The county association will have no manager. Each county warehousing corporation will have a manager or superintendent. The county association will be officered and handled by five directors. These five directors have only a legal status. The county association does no selling. The central office does all the selling through its county associations, the warehousing corporation stores; but both county associations and warehousing corporations are all affiliated with the central exchange by and through a cross-contract, thus making a three-in-one corporation, of which one unit assembles potatoes, another stores and grades them, and the third sells them.

26. If investors would not buy the preferred stock for warehousing corporations how would such warehouses be financed?

I do not know. This is a practical banking question. You can't get this money from the government or from the Federal Reserve system or from the Intermediate credit system or from the war finance corporation. Judge Robert W. Bingham has promised \$100,000 for warehouses.

Many merchants, bankers, and farmers have promised to help in the construction and purchase of warehouses if the necessary acreage is signed up. If investors will not buy this preferred stock, I don't know where to get the money. I think we can go to some of our leading lending and bonding syndicates for it. The tobacco and cotton people have done this.

27. What is the security back of this contract?

The security back of the contract is the specific performance character of the delivery of the crop. The volume of the organization for five years is likewise security back of the contract. When the organization establishes its credit on a business basis it ought to have no more difficulty in financing itself than dealers, brokers, and commission men who find it easy to finance themselves now on the strength of their own business.

28. What is the likelihood for advanced payments being made on potatoes held in storage and what would be the source of funds for such advances?

The source would be commercial paper. The Intermediate credit system has not as yet listed potatoes on its schedule. It claims that it is a six months or longer maturity organization and that it will not lend for less than six months. The Federal Reserve system several years ago issued the statement that potatoes, when properly warehoused were subject to rediscounting through member banks. This was done in Maine this year. Commercial banks will probably be the source of funds for advances. I do not believe that more than 50 per cent of the current market price can be had as an advance payment. You can not borrow as much on potatoes as you can on wheat or cotton.

29. What percentage is borrowed on tobacco?

The advance the first year was about 40 per cent of the selling price.

30. What can the exchange do to help the certified seed potato growers?

All the certified seed stock can be sold by the growers through the exchange to the southern growers who plant it. Why should seed stock go through a dozen different hands?

31. Just how will the exchange shorten the route of distribution?

I do not know. I do not believe it will shorten the route very much the first year. It is very difficult to say how much the route will be shortened except that many

local scalpers and shoestring dealers will be eliminated. The main object of the organization is not so much to eliminate distributors as to prevent dumping. The exchange is not going to peddle its stock from house to house in Chicago, it will have to avail itself of the best agencies of distribution. How many of these agencies can be eliminated immediately I can not say.

32. Suppose 50 per cent of the growers at a given shipping point stop growing potatoes and as a result that warehouse unit falls? Who will bear the loss?

The situation is an improbable one, but if that does happen the loss would be apportioned among the members of that local warehouse unit.

33. Is any value set on potatoes left in farm storage at end of season if fed to livestock and will it be deducted from the growers' share of pool sales?

No. It will simply be a cut-off at the end of the season, and unmarketable stuff will simply be pro-rated among the entire membership.

34. Suppose it was registered for the pool in the fall?

It is all in the pool to begin with. The contract passes the title from the grower to the association. All the stuff which is unmarketable is simply returned to the grower as unmarketable potatoes. If he wants to buy this stuff back, he can do it and pay himself.

35. If there is delivery of potatoes, that delivery becomes part of the pool, does it not?

Yes.

36. If a man has a thousand bushels left, can he dispose of them as he sees fit?

If the association tells him that this represents the cut-off, he can. If not, he can not.

37. How are you going to determine how much to leave at various points of this extra surplus?

What the market will not take will be left behind. No matter where the stuff is left it is the property of the whole association and any adjustment can be made at the end of the season.

38. Is it not possible that a member can break his written contract in a commodity co-operative, for example, the Minnesota Potato Growers' Exchange, by giving a mortgage on his crop?

If he executes a mortgage on his crop after he signs the contract, the mortgage has priority rights over the contract.

39. Suppose a large number of growers did that, where would it leave the association?

It would leave the association in the hole. The potatoes become the property of the man who holds the mortgage, but the association would arrange to sell the potatoes for the joint account of the mortgagor and mortgagee.

40. Would that not be an easy way to break the contract?

Yes, if any member wants to go into the association with the idea of breaking his contract. As a usual rule crop liens do not cover potatoes in Minnesota. I have not seen a contract this year on which there was a crop mortgage.

41. How can a man mortgage property that has been assigned to some one else?

He can not. He simply signs a contract which becomes effective when he delivers his potatoes and the title thereupon passes from the individual to the organization. When he places a crop lien on his crop the man holding the mortgage must either be satisfied as to the value of the mortgage or he may take possession of the crop.

42. Will any distinction be made between the light and dark potatoes?

I should think so—that is, a difference of grade and variety.

43. Will the organization be in a position to do any work in areas where poor grade potatoes are produced which might go on the market in case there were no associations?

Probably the sections growing poor potatoes will be forced into poor pools, will get poor prices, and will eventually quit raising potatoes.

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