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FARMERS' ELEVATORS IN MINNESOTA

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FARMERS' ELEVATORS IN MINNESOTA

By L. D. H. WELD

HISTORICAL SKETCH

The farmers' elevator movement may be said to have started in Minnesota about 1890. A few companies were formed before that time, but most of them failed. The conditions which led to their organization are familiar to most students of our economic history. The collection, storage, and shipping of grain were in the hands of line elevator companies, i. e., companies with headquarters in such cities as Minneapolis and Chicago, who owned chains of country elevators along the lines of the various railroads. In the early days, altho these line elevator companies performed a most valuable function in grain marketing, they were sometimes rapacious in their dealings with the farmers, from whom they bought their grain direct. They frequently manipulated prices to suit themselves. If they offered what were ostensibly fair prices for grain they were only too likely to underweigh or undergrade the grain, or to dock the farmer unfairly for dirt and foul seeds. Altho these practices may not have been so common as ordinarily supposed, suspicion on the part of the farmers led to dissatisfaction. Secret favors from the railroads also strengthened the position of these line elevator companies and made it difficult for the farmers to ship either independently or coöperatively.

When the farmers finally determined to enter the field they were beset by many obstacles. In the first place, it was difficult for them to procure trackage sites from the railroads for their elevators. And when they did procure sites and build their elevators every possible device of destructive competition was brought into play by the line elevator companies to wreck their enterprises before they could get fairly started. Added to these difficulties were the inexperience of the farmers in business affairs and the resulting poor management of their elevators. Naturally a great many failed. In spite of early discouragements the farmers persevered, and today a large number of successful farmers' elevators are distributed over the state, as shown by the accompanying map.

Within the last ten years, the proportion of farmers' elevators to line elevators in Minnesota has been increasing very rapidly. Not only have the former been gaining in number, but the latter have been

rapidly decreasing. Some line elevators have been torn down, and the lumber hauled to Montana to be used in constructing elevators there. In 1906 there were in Minnesota 1,199 line elevators and 151 farmers' elevators. In 1912, according to the Railroad and Warehouse Commission, there were only 777 line elevators, but 300 farmers' elevators. The Railroad and Warehouse Commission classifies as farmers' elevators all country elevators that call themselves by that name, altho as a matter of fact many of the so-called farmers' elevators are not owned by farmers at all.

PRESENT STATUS OF MOVEMENT

A law passed by the Minnesota Legislature in 1913 authorized the University of Minnesota to obtain annual reports from all coöperative organizations in the state. Under this law, two sets of reports have been obtained from the farmers' elevators of Minnesota, one for the year 1912-13, and one for the year 1913-14. Altho complete reports were not received from all companies, a sufficient number responded to furnish much interesting and valuable information. The fiscal year of most elevator companies ends in the spring or early summer when grain stocks are low and business is light; hence the 1912-13 reports cover the marketing of the 1912 crop, and the 1913-14 reports, the 1913 crop.

As a result of this investigation, it has been found that on January 1, 1914, there were in Minnesota practically 270 elevators, and on January 1, 1915, about 278 in which farmers owned more than 50 per cent of the stock. In most of these companies, farmers own practically all of the stock. On January 1, 1914, the 270 elevator companies had an aggregate membership of about 34,500, an average of 128 members to a company. One farmer out of every five in the state belongs to a farmers' elevator company. One company has 600 members; one, 500; two, 400; and four, between 300 and 400. The aggregate volume of business of these companies may be estimated from the reports received as approximately \$24,000,000 in 1912-13, and \$30,000,000 in 1913-14. Of the \$24,000,000 of the earlier year, \$22,000,000 represents the value of grain marketed and \$2,000,000 the value of the supplies, etc., purchased for members. The grain marketed through the companies constitutes about 30 per cent of all grain marketed by Minnesota farmers.

FEATURES OF ORGANIZATION

One object of the inquiry has been to determine how many of these so-called farmers' elevators may be considered coöperative, and this

necessarily leads to the question as to what is meant by the word "coöperation." The three essentials of coöperation are usually considered to be the one-man-one-vote principle, the limitation of the amount of stock that one member may own, and the patronage or pro-rata dividend. The facts with regard to these so-called essentials in 1912-13 were as follows:

Of 239 companies reporting, all but 13, or 94.5 per cent of the total, have the one-man-one-vote principle. As to the limitation of number of shares, 39 companies, or one-sixth of the number answering this question, set no limit on the number of shares that one person may own. The other five-sixths of the companies set limits ranging from 3 to 50 shares. One has a limit of 100 shares. Sixty-nine of the companies, or 30 per cent of those reporting, set the limit at 10 shares. Most of the others set the limit at 4, 5, or 8 shares. About one-third of the companies report that they limit the dividends on capital stock and distribute the balance on the basis of patronage. The size of the stock dividend is of interest in this connection. Of 52 companies, only 1 limits it to 5 per cent; 9, to 6 per cent; 3, to 7 per cent; 13, to 8 per cent, and 16—or the largest number of all—pay a dividend of 10 per cent before they distribute anything on a patronage basis. In other words the patronage dividend has not been widely adopted, and in the majority of cases where it has been adopted more than the current rate of interest is paid as a dividend on stock. Most of the companies that have the patronage dividend pay it only to members, although a few include non-members.

DIVIDENDS

It might be concluded from these figures that the farmers' elevators of Minnesota are not coöperative in the true sense of the word, and hence are not properly considered as such. However, when elevators are owned and operated by farmers, when the capital stock that each member may own is limited, and when the one-man-one-vote principle obtains, much has been done toward true coöperation. In so far as they do not make large profits, and pay only small dividends on stock, they are practically coöperative even if they do not pay the patronage dividend. Many, however, pay dividends of from 12 to 25 per cent and in this respect do not conform to coöperative principles. Out of 139 companies reporting for 1912-13, 59, or 42 per cent, paid no dividends at all on stock; and only 18 companies paid over 10 per cent. One paid 125 per cent, but that company has since adopted the patronage dividend. Two paid 25 per cent, 6 paid 20 per cent, and 28 paid 10 per cent dividends.

In 1913-14 the elevators enjoyed a slightly higher degree of prosperity. The dividends paid by 161 companies were as follows:

	No. of Companies	Per Cent of Total
No dividends.....	64	39.8
Not over 10%.....	66	41.0
Over 10% but not over 20%.....	18	11.1
Over 20% but not over 30%.....	8	5.0
Over 30%.....	5	3.1
Total	161	100.0

Of the 64 companies that paid no dividends, 20 actually lost money. The prevalence of dividends over 10 per cent indicates the great need of the use of the patronage dividend. Farmers make a great mistake in judging the success of their elevator companies by the size of the dividends they receive rather than by the prices received for their grain from day to day. An elevator may run on a no-profit basis and still be a great boon to the patrons.

THE PENALTY CLAUSE

In some parts of the country it has been found necessary for farmers' organizations to impose some penalty on members who are so disloyal as to sell their grain or other products to outside buyers who temporarily pay high prices in order to drive the farmers' organizations out of business. Many a farmers' organization has been wrecked by this practice, and not a few have been saved by a penalty clause, which fines members a certain amount on all commodities not marketed through the association. In Minnesota, however, the penalty clause has not been used to any considerable extent by the farmers' elevators. Out of 166 companies reporting on this point, 32, or 19.3 per cent, have a penalty clause in their by-laws, but only 2 have actually used it. Ninety-five out of 111 elevator officials consider the penalty clause inadvisable, whereas the other 16 declare in favor of it. Of the 32 that have the penalty clause in their by-laws, 24 place the penalty at 1 cent per bushel; 4, at $\frac{1}{2}$ cent; 3, at 2 cents; and 1, at 2 per cent of the value of goods sold. The facts that only two elevators have actually enforced the penalty, however, and that the large majority of elevator officials are opposed to its use, indicate that the penalty clause is of minor importance in Minnesota.

SALARIES OF MANAGERS

The salaries of managers range all the way from \$60 per month to \$165, altho only 11 companies out of 168 pay \$125 or more. The average is about \$90. Farmers have frequently made the mistake of trying to save money by hiring inexperienced managers at low salaries, and this has been the direct cause of failure in many cases. Reports

Although farmers charge the lowest rates, the commission firms charge much lower rates than the local banks. Local banks are often unable to extend sufficient credit both because of lack of funds and because of the law limiting the proportion of capital and surplus that may be loaned to one person or company. The commission firms are of course glad to lend money in order to get the elevators' consignments, and a written agreement is required stipulating that the elevator company ship all or a certain proportion of its grain to the commission house that makes the loan. The commission firms in turn borrow from Minneapolis and Duluth banks, and do not aim to make any profit on this transaction.

Altho there is some disadvantage in an elevator's tying itself up with a single commission firm, it must be remembered that in the past there has been practically no other source from which the elevators could borrow money and that the commission men have performed a valuable service, especially in the newly-settled communities. Reliance on local sources is increasing rapidly in Minnesota, while in North and South Dakota the elevators are still mainly dependent on the commission firms.

EQUIPMENT OF FARMERS' ELEVATORS

Most of the elevators owned by farmers' companies have a capacity of from 20,000 to 40,000 bushels; there are more that have less than 20,000 than that have more than 40,000. The most frequent capacity is 30,000 bushels; the average is about 27,000. The number of bins in most of the houses runs from 9 to 20; by far the greatest proportion have from 10 to 14. In an elevator with less than 12 bins it is necessary to mix different grades of grain oftener than is advisable. Many of the companies reserve a larger number of bins for wheat than for other grains, so that the different grades may be kept separate. Usually but one bin is used for rye, and only one or two for barley.

Out of 168 companies reporting, practically all have wagon scales for weighing the grain received, but only 20 have self-registering beams which eliminate the personal element in reading weights. Only 3 have track scales for weighing out for shipment, but 74 have automatic scales for this purpose. Fifteen have corn shellers, 96 have cleaning devices, and 19 have feed grinders. Those that undertake cleaning and feed-grinding often show large financial returns from these activities.

PURCHASE OF SUPPLIES FOR FARMERS

The fact that farmers have permanent organizations in the form of elevator companies, with warehouses and permanent managers, enables them to use these companies as agencies for the coöperative

purchase of supplies, and this is done to a considerable extent by the farmers' elevators of Minnesota. In the year 1912-13 they brought about two million dollars' worth of coal flour, feed, etc. Of the elevators that reported, 63 per cent handled coal; 41 per cent, feed; 40 per cent, flour; 35 per cent, binding twine; 18 per cent, seeds; and 16 per cent, salt. Among other commodities handled are cement, tile, farm machinery, lumber, fence posts, oil, and wire fencing. All but 41 companies out of 239 reported the handling of some other commodity than grain. In 1912-13, about 160 farmers' elevators bought nearly 150,000 tons of coal, worth nearly one million dollars, or about 900 tons per elevator.

HOW TO ORGANIZE A COMPANY

It is a relatively simple matter to organize a farmers' elevator company under the Minnesota coöperative law, which is given later in this bulletin. After interest has been aroused in the community an informal meeting should be called to decide whether to organize. A temporary chairman and secretary should be elected. After an organization is formally decided on, at least three committees should be appointed: a subscription committee, to solicit stock subscriptions; an elevator committee, to investigate the purchase of a site and the erection of an elevator, or the purchase of an elevator already in existence; and an organization committee, to draw up articles of incorporation and by-laws. The total capitalization and the par value of a share of stock should also be informally decided.

The committee appointed to solicit subscriptions should consist of active and influential farmers chosen from different districts of the locality which will be served by the new company. Each should be provided with a blank reading somewhat as follows:

"We, the undersigned, hereby subscribe for the number of shares of capital stock of the.....Coöperative Elevator Company set opposite our respective names, at a par value of twenty dollars (\$20) each; and we agree to pay for same at the time such corporation is organized, and only when it is formally organized."

When enough stock has been subscribed for (and it is important that the company have a sufficient amount of capital with which to begin business so as not to start in debt) another meeting should be held to perfect formal organization. At this meeting the articles of incorporation must be adopted, and, if possible, the by-laws also. The officers, including a board of directors, should be elected to hold office until the first annual meeting. All that is necessary is to have the articles signed by the first board of directors in the presence of

a notary public, and filed with the register of deeds of the county in which is located the principal place of business, and to pay a small filing fee. To incorporate under the Minnesota coöperative law it is not necessary to file articles of incorporation with the secretary of state, nor is it necessary to pay the \$50 incorporation fee required of those who incorporate under the general corporation laws.

The articles of incorporation and by-laws given below are practically the same as those used successfully by many farmers' elevator companies in Minnesota. They embody all the necessary coöperative principles, and companies who wish to be truly coöperative should find it unnecessary to make many changes except in minor details. The capitalization is set at \$10,000, because the general corporation law, which applies to coöperative organizations in this respect, provides that this is the minimum amount that a corporation may have. This is a defect in the Minnesota law, so far as coöperative corporations are concerned. The coöperative law provides that 20 per cent of the capital must be paid in before beginning business. The par value of shares is set at \$20, because experience has shown that if set at \$5 or \$10, it is sometimes difficult to raise enough capital even with a large number of subscriptions, and if set at too high a figure, too few farmers subscribe.

There are generally a few farmers who object to the patronage dividend, and who say that they will not buy stock unless profits are paid entirely on capital stock. These people do not understand coöperation and will not make good coöperators. If they obstinately hold out, it is better to let them go, rather than to make serious concessions in order to keep them in the organization. Some slight concession may be made by allowing a stock dividend of 7 or 8 per cent before the division of profits on a patronage basis. In the northern part of the state this may indeed be considered the current rate of interest; but it is better to allow only 6 per cent. The 10 per cent on stock allowed by several elevator companies in the state is too high, and indicates only a half-hearted attempt to adopt real coöperation. As mentioned before, the success of a farmers' elevator can not be measured by the size of the dividends, and in any event the amount of capital that each farmer invests is very small.

HOW TO CHANGE FROM ORDINARY CORPORATION TO COOPERATIVE FORM

Many of the farmers' elevators of Minnesota were organized under the general corporation laws of the state, and each year there are some who change to the coöperative form. The law allows this change, and it is easy to bring about. All that is necessary is to dissolve the old company by formally passing a resolution to that

effect, with an affirmative vote of a majority of the stockholders, and to reorganize in the manner set forth in the foregoing, adopting new articles of incorporation and filing with the register of deeds of the county.

ARTICLES OF INCORPORATION
OF THE FARMERS' COÖPERATIVE ELEVATOR COMPANY
OF.....MINNESOTA

We, the undersigned residents of.....County, State of Minnesota, do hereby associate ourselves together for the purpose of becoming incorporated as a coöperative association under the provisions of chapter fifty-eight (58) of the Revised Laws of Minnesota, 1913, all acts amendatory thereof and supplementary thereto; and to that end we do hereby adopt and sign the following Articles of Incorporation.

ARTICLE I

The name of this corporation shall be the.....Farmer's Coöperative Elevator Company.

ARTICLE II

The principal place of business of this corporation shall beMinnesota.

ARTICLE III

The purpose of this corporation shall be to buy, sell, and store all kinds of farm produce, grains, seeds, coal, lumber, building materials, farm machinery, twine, tile, fence, and all such articles as may properly be handled to the interests of the stockholders of this corporation; and to purchase, erect, maintain, and control warehouses and elevators for the storage of such products; and to buy, lease, and sell such property as may be needed for the transaction of the business of this corporation.

ARTICLE IV

The time of commencing business for this corporation shall be19....., and the period of its duration shall be twenty years.

ARTICLE V

The names and places of residence of the persons forming this corporation are:

(Enter names on separate lines.)

ARTICLE VI

The management of this corporation shall be vested in a board of directors composed of seven members.

Officers of this corporation shall be a president, vice-president, secretary, and treasurer.

The board of directors shall be composed of these four officers, ex officio, and three other members.

All officers and directors shall be elected by the members in annual meeting assembled; provided that the four officers shall be elected annually and that the other three directors shall be elected at the first annual meeting, one to serve for one year, one for two years, and one for three years, so that thereafter there shall be one elected each year. The officers and directors elected at the time of organization shall hold office until the next annual meeting.

Names and addresses of the first board of directors are as follows:
(Enter names on separate lines.)

ARTICLE VII

No person shall be entitled to more than one vote, regardless of the number of shares of stock that he may own.

ARTICLE VIII

The amount of the capital stock of this corporation shall be ten thousand dollars (\$10,000), which shall be paid in, in money or property or both, in such manner, at such times, and in such amounts as the board of directors shall order. The capital stock shall be divided into five hundred (500) shares of the par value of twenty dollars (\$20) each.

ARTICLE IX

The highest amount of indebtedness or liability to which this corporation shall at any time be subject shall be a sum not to exceed the actual paid-in capital stock,

In testimony whereof we have hereunto set our hands, thisday of.....19.....

(Enter names on separate lines.)

Signed, sealed, and delivered in presence of—

.....

County of..... }
State of Minnesota } ss.

On this.....day of.....19....., personally appeared before me. (Enter names here.)

to me known to be the persons named in and who executed the foregoing Certificate of Incorporation, and each acknowledged that he executed the same as his free act and deed, for the uses and purposes therein expressed.

.....
Notary Public.

BY-LAWS
OF THE.....FARMERS' COÖPERATIVE ELEVATOR COMPANY

ARTICLE I. MEETINGS

Section 1. The annual meeting of this corporation shall be held on the second Saturday of June of each year.

Sec. 2. Ten days' notice shall be given of all meetings of the shareholders by publishing notice thereof in the local paper, and by circular notice mailed to each shareholder.

Sec. 3. The directors, at the written request of twenty-five shareholders may call a special meeting of the shareholders; the notice of said special meeting to contain a statement of the business to come before the same.

Sec. 4. The president of the corporation shall preside at all meetings of the shareholders, and shall cast the deciding vote in all cases of a tie. Each shareholder shall have only one vote and no one will be allowed to vote by proxy. All officers shall be elected by ballot.

Sec. 5. Twenty-five (25) per cent of all members shall constitute a quorum at all meetings of shareholders.

Sec. 6. The board of directors shall hold at least four regular meetings each year, one in each of the months of September, December, March, and June, the exact time and place to be determined by the president.

Sec. 7. Special meetings of the board of directors may be called by the president or any three of said board, and notice of all such meetings shall be given each member by mail.

Sec. 8. No business except that mentioned in call for special meeting shall receive final action at said meeting. Five directors shall constitute a quorum at all meetings of the board and a majority vote of the members present shall decide all questions except the transfer of grounds and buildings, which shall require the presence of the whole board and a majority vote thereof.

ARTICLE II. BOARD OF DIRECTORS—DUTIES AND POWERS

Section 1. The board of directors shall appoint and fix the salaries or compensation of all officers, agents, and employees of the corporation, except as hereinafter specified, and have power to fill all vacancies in the board or its officers.

Sec. 2. The board of directors shall at every annual meeting of the shareholders render a full detailed account of all business and property of the corporation during the year. They shall also render a similar account at any special meeting of the shareholders when required to do so by a vote of the shareholders, a reasonable time being given to prepare the same.

Sec. 3. The board of directors shall audit all accounts at their

regular meetings at least four times a year, and shall have the books audited at least once a year by an expert and qualified auditor who is not a stockholder of the company, such audit to take place during the thirty (30) days preceding the annual meeting.

Sec. 4. The board of directors shall have power to do such acts and adopt such measures, not inconsistent with the Articles of Incorporation, as they shall deem best calculated to promote the interests of the shareholders, and to that end shall, from time to time, prescribe such rules and regulations for the management of the business of the corporation as they may deem expedient.

Sec. 5. Each member of the board of directors shall receive two dollars (\$2) for each regular or special meeting which he attends.

ARTICLE III. DUTIES OF OFFICERS

Section 1. The president shall be the presiding officer at all meetings of the board of directors, and of the corporation. He shall be, ex officio, member of all committees. He shall sign, execute, and deliver all deeds or conveyances of real estate which the directors may order executed, and shall sign all certificates of stock of the corporation, and perform such other duties as the board may direct. In case of absence, inability to act, or death of the president, the vice-president shall discharge the duties of the president until his return, or until his disability is removed or the vacancy filled.

Sec. 2. The secretary shall attend all meetings of the shareholders and board of directors, and keep in a suitable book the minutes of said meetings. He shall have charge of the records and papers of the corporation; shall have charge of and affix the corporate seal to all such documents as may require attestation; shall issue notices of all meetings; shall countersign all certificates of stock and all orders drawn on the treasurer; and perform all the duties generally incident to the office of secretary. His records shall be open to the inspection of any of the directors at all proper business hours.

Sec. 3. The treasurer shall receive all money paid to the corporation and give his receipt therefor; he shall pay out the same under the direction of the board of directors, and he shall make such disposition of funds on hand as the board of directors shall determine. He shall keep in a suitable book a true account of all transactions. He shall make a full detailed report of all receipts and disbursements to the board of directors at their regular quarterly meetings, and an annual report of the same to the shareholders at the annual meeting thereof. The books of the treasurer shall at all times be open to the inspection of the directors. He shall also furnish bonds to the amount of from three thousand dollars (\$3,000) to ten thousand dollars (\$10,000) at the discretion of the board of directors.

received for 1912-13 indicated that the salaries of managers in elevators that lost money averaged about \$10 per month less than in those that returned profits. Greater tact and ability are required to manage a farmers' elevator than a line elevator because the manager of a line elevator has nothing to do with the selling end of the business; he merely reports to his head office the amount bought, and receives instructions as to when to ship. Neither does he have to bother with hedging. The manager of a farmers' elevator, on the other hand, has to use his own judgment about when and where to ship, when to hedge, whether to sell "to arrive" or "on track," and has to use considerable tact with the members. Farmers are gradually coming to recognize the fact that they can save money by paying salaries high enough to get experienced men.

Most elevator companies have to hire "helpers" to assist the managers during at least a part of each year. In fact, out of 168 elevators reporting on this point, 142 had helpers at least a part of the time during 1913-14. Such helpers are usually paid from \$40 to \$60 a month; a great many are hired for only two or three months during the fall, some are hired for six or eight months, a few have helpers all the time. When a company handles coal and other supplies for farmers, such assistance is usually necessary.

BONDING THE MANAGER

Out of 167 companies reporting on this point, 131, or 78.2 per cent, require their managers to give bonds. The amounts of the bonds of 128 companies are as follows:

Amount of Bond	No. of Elevators
\$1,000.....	17
1,500.....	9
2,000.....	51
2,500.....	5
3,000.....	16
3,500.....	1
4,000.....	3
5,000.....	19
6,000.....	3
8,000.....	2
10,000.....	1
25,000.....	1
Total.....	128

In 81 cases out of 114 the company pays for the manager's bond;

in 31 cases the manager pays; and in 2 cases the company and manager divide the expense.

COST OF HANDLING GRAIN

Since there are certain fixed expenses that continue independently of the quantity of grain which an elevator handles, it follows that the larger the quantity of grain handled, the smaller the cost per bushel. This average cost per bushel has been computed for different groups of elevators according to the amount of grain handled during the year 1912-13, with the following results:¹

No. of Bushels Handled	Cost of Handling per Bushel (Cents)
50,000 to 100,000.....	2.5
100,000 to 150,000.....	1.9
150,000 to 200,000.....	1.5
200,000 to 300,000.....	1.3
300,000 to 400,000.....	1.15

It will be seen from these figures that an elevator which handles only between 50,000 and 100,000 bushels in the course of a season has an average expense of 2.5 cents per bushel, whereas elevators which handle from 150,000 to 200,000 bushels have an average expense of 1.5 cents. When the grain shipments from a single station are divided among four or five different elevators, as is frequently the case, the cost of doing business is high, and the elevators consequently have to pay low prices for grain to obtain sufficient margins to cover expenses and make profits. When the farmers concentrate their marketings through their own elevator, they reduce the cost of handling and therefore receive higher prices for their grain. Herein lies the principal economic benefit of farmers' elevators. Through greater efficiency, due to concentration of shipments and reduction of unit costs, and through forcing line elevators to pay better prices, the farmers' elevators save the farmers of Minnesota probably as much as \$1,000,000 a year.

The margins of gross profit per bushel of grain taken out by farmers' elevators vary greatly for different kinds of grain. The following statement shows the actual average gross profits taken out for the different kinds of grain in 1912-13:

	Actual Margin Taken (Cents per Bushel)
Wheat	1.4
Oats	1.6
Rye	2.0
Barley	2.1
Corn	2.4
Flaxseed	3.6

¹ These figures were compiled from the reports of elevators that handle grain exclusively.

From this it will be seen that farmers' elevators take the smallest profits on wheat and oats, and the largest on flaxseed. Wheat and oats are handled in greatest quantity so that the elevators can afford to handle them on small margins. Holdings of wheat, oats, and corn can also be hedged, thus eliminating risk, and the majority of farmers' elevators take advantage of this important protective feature offered by the "futures" market, especially in the case of wheat. The margin taken on barley, the handling of which involves considerable risk, is really too small for safety; many elevators lose money in handling it. A comparison of these margins with the cost of handling as shown above is interesting. On the whole, farmers' elevators pay farmers the very highest possible prices for their grain. Line elevators can not be run profitably on such narrow margins. These figures show conclusively the economic savings made possible by farmers' elevators.

ACCOUNTING METHODS

About 20 per cent of the elevator officials admit that their accounting systems are unsatisfactory; and judging by the nature of the reports sent in, it is apparent that there are many others who are not so frank. One of the greatest needs of the farmers' elevator movement is better accounting methods. The Office of Markets and Rural Organization has made a study of this problem and has devised a system of accounts which is successfully used in a large number of elevators, and which has been made public in Bulletin No. 236, United States Department of Agriculture, "A System of Accounts for Farmers' Coöperative Elevators," by J. R. Humphrey and W. H. Kerr, May, 1915. There is a large demand for this accounting system and there is now no excuse for a farmers' elevator to be without an adequate system. Most managers need instruction concerning the use of this set of accounts, and steps are being taken to give them such aid.

FINANCING FARMERS' ELEVATORS

Another interesting subject is the method of financing farmers' elevators. The elevator has three sources from which it may borrow money: (1) the grain commission men at the terminal market; (2) local bankers; (3) individual farmers. In 1914 information as to the practice in this regard was procured from 158 companies. Fifty-one per cent are financed in whole or in part by commission men; 72 per cent borrow more or less from local banks; and only 13 per cent borrow from farmers. About one-fourth of all the elevators report that they are financed exclusively by commission houses. The average rate of interest charged by commission houses is 6.7 per cent; by local banks, 7.4 per cent; and by farmers, 6.3 per cent.

Sec. 4. The manager shall keep a true record of all the business transacted by him and carefully keep all correspondence of importance. Said records and correspondence shall at all times be open to inspection by any member of the board of directors, or any person the board may direct or appoint to investigate said books and correspondence, and the general manager shall at all times give any information the directors may ask, and report the condition of the affairs of the corporation to the board of directors at their regular meetings, make a daily report to the treasurer of all business transacted, and an annual report to the president for the annual meeting of the stockholders five days before such meeting each year; shall call in all moneys due or belonging to the corporation except stock subscriptions and pay the same immediately to the treasurer, taking his receipt therefor; shall make drafts on the treasurer for all commodities handled by him, stating what they are given for; shall perform all other duties which the board of directors may direct, and shall give bonds to the amount of from three thousand dollars (\$3,000) to fifteen thousand dollars, (\$15,000) at the discretion of the board of directors, for the faithful performance of his duty.

ARTICLE IV. STOCK

Section 1. No one member may be entitled to hold more than five shares of stock at any one time.

Sec. 2. In case of the sale of stock by any member, the corporation shall have the first acceptance or refusal of such stock, after which the stock may be sold to any person eligible to membership as shall be determined by the board of directors.

Sec. 3. All applications for stock must be submitted to and approved by the board of directors, before such stock is issued. The certificates of the capital stock of this company shall be issued in such form as the board of directors shall direct, and shall be numbered and registered as issued. They shall exhibit the holder's name, the number of shares, and the number of certificates, and shall be signed by the president and countersigned and sealed by the secretary. Any person who owns one or more shares of stock shall be deemed a member of the corporation.

Sec. 4. Transfers of stock shall be made only on books of the company in the presence of the secretary or other authorized officers of the company, either by the holder in person or by his attorney, and in case of transfer by an attorney, executor, administrator, guardian, or other legal representative, duly authenticated evidence of their authority to act shall be produced to the proper officers.

Sec. 5. Stock shall be assessable, but there shall be no assessment levied at any time unless at a regular or special meeting of the stock-

holders, and no assessment can be made at any such meeting unless each stockholder has been duly notified by a written notice thereof ten (10) days prior to such regular or special meeting at which time an assessment shall be levied.

ARTICLE V. DISTRIBUTION OF DIVIDENDS AND PROFITS

The proceeds of the business, after the payment of operating expenses and interest on indebtedness, shall be distributed as follows:

1. Dividends not to exceed six (6) per cent on subscribed capital stock, at the discretion of the directors.

2. Of the remaining balance there shall be set aside each year as a surplus or reserve fund, twenty (20) per cent, until such surplus equals forty (40) per cent of the paid-in capital; said sum to be used in payment for improvements and new buildings, to make up losses, and for such other purposes as the board of directors shall determine.

3. The remaining balance shall be divided on the basis of the value of business transacted with the corporation by individual patrons, provided that non-shareholding patrons shall receive only one-half the amount received by shareholders per unit of business transacted; and provided also that this amount in the case of non-shareholders shall not be paid out but shall be credited to said non-shareholder without interest until a sufficient amount to pay for one share has accumulated, whereupon a share shall be issued as fully paid to said non-shareholding patron entitling him to all the privileges of a member of this corporation.

ARTICLE VI. SPECULATION

All stored grain shipped out, all grain bought or held, and all contracts with growers involving future delivery of actual grain, shall be properly hedged in the "futures" market; otherwise there shall be no buying or selling of "options" or "futures."

ARTICLE VII. NEGLIGENCE ON THE PART OF OFFICERS

Any officer who fails to perform his duty as prescribed in these by-laws may be removed from office by the board of directors, and any officer making any contract not authorized by the board of directors shall be liable to dismissal from office and such officer and his bondsmen shall be liable for the full amount of said contract.

ARTICLE VIII. AMENDMENTS

These by-laws may be amended at any regular or special meeting by a two-thirds vote of the members present and voting at such meeting, provided due notice is given of proposed amendments to all members at least ten (10) days before such meeting.

THE MINNESOTA LAW RELATING TO COOPERATIVE ASSOCIATIONS

(Chapter 58, General Statutes, 1913)

GENERAL CO-OPERATIVE ASSOCIATIONS

6479. *Formation—Purposes*—A co-operative association may be formed for the purpose of engaging in any lawful mercantile, manufacturing, or agricultural business. Its certificate of incorporation shall be filed for record with the register of deeds of the county of its principal place of business, and thereupon it shall become a corporation. A majority of the incorporators shall be residents of the county of its principal place of business, and its duration without renewal shall not exceed twenty years.

6482. *Officers—Management*—Every such association shall have a president, a treasurer, and not less than three directors, who shall together constitute a board of managers and conduct its business. Such officers shall be chosen annually by the stockholders, and hold their offices until others have been chosen and qualified. The association shall make its own by-laws, not inconsistent with law, and may therein provide for any other officers deemed necessary, and the mode of their selection. It may amend its certificate of incorporation at any general stockholders' meeting, or at any special meeting called for that purpose, upon ten days' notice to the stockholders.

6483. *Capital—Limit of interest—Shares*—The amount of capital stock shall be fixed by the certificate of incorporation, which amount and the number of shares may be increased or diminished at a stockholders' meeting specially called for that purpose; but the whole amount of stock shall never exceed one hundred thousand dollars, and, in case of a creamery association, shall not exceed twenty-five thousand dollars. Within thirty days after the adoption of an amendment increasing or diminishing its capital, it shall cause the vote so adopting it to be recorded in the office of the register of deeds where its original certificate is on record. No share shall be issued for less than its par value, and no member shall own shares of greater par value than one thousand dollars, or be entitled to more than one vote. It may commence business whenever twenty per cent of the stock has been subscribed for and paid in, but no certificate of shares shall be issued to any person until the full amount thereof has been paid in cash, and no person shall become a shareholder therein except by consent of the managers.

6484. *Liability of officers—Dissolution*—If such board of managers, or the directors or officers having control of such association, for five consecutive years after its organization shall fail to declare a dividend upon its capital or shares, five or more stockholders, by

petition setting forth such facts, may apply to the district court of the county of its principal place of business, for its dissolution. If, upon hearing, the allegations of the petition are found to be true, the court may adjudge a dissolution of the association.

6485. *Distribution of profits*—The profits on the earnings of such association shall be distributed to those entitled thereto by its by-laws, and in the proportions and at the times therein prescribed, which shall be as often as once in twelve months.

6486. *Annual report to dairy and food commissioner*—Every creamery association, on or before December 30 in each year, shall make report to the state dairy and food commissioner, or such officer as may at any time, by law, be given the supervision of dairy products. Such report shall contain the name of the corporation, its principal place of business, the location of its creamery, and the number of pounds of butter or other dairy product manufactured by it during the preceding year.

LAW APPLYING TO COOPERATIVE ASSOCIATIONS FORMED FOR THE PURPOSE OF MARKETING PRODUCTS OF OTHER COOPERATIVE ASSOCIATIONS

6487. *Associations for sale of certain products*—That any co-operative associations may be formed for the purpose of selling and otherwise disposing of any product of any manufacturing or agricultural co-operative association organized under the laws of this state. Its certificates of incorporation shall be filed for record with the secretary of state, and thereupon it shall become a corporation. A majority of the incorporators thereof shall be residents of this state and its duration, without renewal, shall not exceed twenty years.

6488. *Same—Officers—By-laws—Amendment of articles—Capital stock—Dissolution—Annual report*—Every such association shall have a president, a treasurer and not less than three directors, who shall together constitute a board of managers and conduct its business. Such officers shall be chosen annually by the stockholders, and shall hold their offices until others shall be chosen and qualified. The association shall make its own by-laws, not inconsistent with the law, and may herein provide for any other officers deemed necessary, and the mode of their selection. It may amend its articles of incorporation at any general stockholders' meeting, or at any special meeting called for that purpose, upon ten days' notice to the stockholders. The amount of capital stock shall be fixed by the articles of incorporation, which amount and the number of shares may be increased or diminished at a stockholders' meeting, specially called for that purpose, but the whole amount of stock shall never exceed one hundred thousand dollars. Within thirty days after the adoption of the

amendment increasing or diminishing its capital stock, it shall cause the vote so adopting it to be recorded in the office of the secretary of state. No share shall be issued for less than its par value and no member shall own shares of a greater par value than one thousand dollars, or be entitled to more than one vote. It may commence business whenever 20 per cent of the authorized stock has been subscribed for and paid in, but no certificate of shares shall be issued to any person until the full amount of such subscription therein has been paid in cash, and no person shall become a shareholder therein except by the consent of the managers. If such board of managers, or the directors or officers having control of such association, for five consecutive years after its organization shall fail to declare a dividend upon its capital or shares, five or more stockholders, by petition, setting forth such fact, may apply to the district court of the county, wherein is situated its principal place of business in this state, for its dissolution. If, upon hearing, the allegations of the petition are found to be true, the court may adjudge a dissolution of the association. The profits on the earnings of such association shall be distributed to those entitled thereto by its by-laws and in proportions and at the times therein prescribed, which shall be as often as once in twelve months. Every corporation organized under the terms of this act shall, on or before December 30th, in each year, make a report to the state dairy and food commissioner; such report shall contain the name of the corporation, its principal place of business in this state, and generally a statement as to its business, showing total amount of business transacted, its profits and losses.

6489. *Same—Stock in other corporations*—Any corporation heretofore or hereafter organized under the provisions of section 3073, Revised Laws of 1905 (6479), or chapters 276 or 313, General Laws 1905, is hereby authorized, in addition to those other powers to it granted, upon an affirmative vote of a majority of its directors or other governing body, had at any regular meeting or any special meeting called for that purpose, to subscribe to the capital stock of any corporation organized under the provisions of this act, pay for the same, and thereafter, in like manner, vote the same and exercise all the usual powers of a stockholder in a corporation, subject to the limitations herein set forth.

LAW APPLYING TO RURAL TELEPHONE COMPANIES

6480. *Formation—Rural telephone business—Powers*—Seven or more persons of lawful age, inhabitants of this state, may, by written articles of agreement, associate themselves together for the purpose of trade or for carrying on an (any) lawful mercantile, manufacturing, agricultural or rural telephone business within this state; and

when such articles of association shall have been executed and recorded in the office of the clerk of the city or town in which the business is to be carried on, such persons shall be and become a corporation, and enjoy all the powers and privileges, and can buy and hold stock in other corporations organized for the same general purpose, and be subject to all duties, restrictions and liabilities set forth in all general laws in relation to similar corporations, except so far as the same may be limited or enlarged by this act.

6481. *Same*—A co-operative association may be formed for the purpose of engaging in any lawful mercantile, manufacturing, agricultural or rural telephone business. Its certificate of incorporation shall be filed for record with the register of deeds of the county of its principal place of business, and thereupon it shall become a corporation. A majority of the incorporators that reside in this state shall be residents of the county of its principal place of business, and its duration without renewal shall not exceed twenty years.

6490. *Rural telephone companies—Place of business—Stockholders' meetings, where held*—All rural telephone companies or associations, organized or incorporated under any of the laws of this state shall have its principal place of business in the township, city or village designated in its articles of incorporation as such; provided that any officer of such company may transact the business pertaining to his particular office in any township, city or village into which such township, city or village, the lines of such company extend, or in any city or village within any such township; and provided further that any such rural telephone company whose lines extend into more than one township may hold its stockholders' meeting in any township, city or village through or into which its lines extend or in any city, or village, within any such township as its stockholders, or members may from time to time designate at a previous annual meeting or a special meeting called for that purpose, but until a different place is so designated the township, city or village named as its principal place of business shall be the place for holding all stockholders' meetings thereof and when a place is so designated it shall be and remain the place for holding all stockholders' meetings until again changed by a vote of the stockholders as aforesaid and it shall be the duty of the officer calling any such meeting to procure a place of meeting in the township, city or village so designated; and state the location of same in his notice of the meeting.