

AGRICULTURAL COOPERATION

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THE DEVELOPMENT OF COOPERATION IN FINLAND

Cooperation in the Republic of Finland has been developed within the last two decades. It is now playing an important role in the social and economic development of the Finnish nation. To-day, more than thirty-five hundred different cooperative societies, with a membership of over half a million, or one-seventh of the nation's population, are listed in the commercial register.

Cooperative Trading Societies, Creameries, and Rural Banks

	Number of			Number of		
	Active Societies			Members		
	1903	1913	1921	1903	1913	1921
Trading Societies	66	419	621	14,000	90,000	305,000
Creameries	75	370	462	6,000	40,000	48,600
Rural Banks	24	420	720	5,000	21,000	35,000

Finnish cooperation is similar to Danish in that it is chiefly a rural movement, dealing with agriculture. However, the Danish movement is built from the ground up, while Finnish cooperation is built from the top down. The leadership of men prominent in national affairs in Finland, and the development of large central societies, have been responsible for this trend. Among these leaders, Professor Dr. Hannes Gebhard, commonly known as the "father" of Finnish cooperation, is most widely known. Professor Gebhard's interest was attracted to the cooperative movement some years ago while he was studying in continental Europe. On his return to Europe his first step was to establish the "Pellervo" society, which has become the central organization for cooperative education, propaganda and promotional work. Pellervo does not engage in commercial operations and accordingly has no income of its own. The expenses arising from its activities are met by donations from the large cooperative federations, private donations and a small annual Government grant.

The field of cooperative buying and selling is highly developed. The local distribution of household necessities and farm supplies in each county is centralized in a cooperative trading society which establishes branch stores in the local communities. In the wholesale trade, however, the local becomes a member of one of the central wholesale societies, from

which are purchased the supplies handled by these societies. The remarkable organization, both in buying and selling, perfected within these Central Cooperative Societies, which now number 10, is one of the strongest features in the Finnish movement.

In the field of consumer cooperation, the oldest and largest federation is the Finnish Cooperative Wholesale Society, founded in 1904. Its membership comprises 490 cooperative trading societies with a complete network of stores, and 190,000 members, of whom 70% are farmers. The working people in the cities and industrial communities have a similar central wholesale society.

The wholesale purchasing of farm supplies is centralized in two organizations. The larger and more important of these is the Agricultural Cooperative Wholesale Society (Hankkija) founded in 1905, with a membership of 1,020 local societies, grouped as cooperative trading societies, cooperative creameries, and cooperative rural bank societies. One-half of Finland's wholesale trade in feeding-stuffs (grains and concentrated feeds) is supplied by cooperative societies, while Hankkija alone supplies 65% of the wholesale farm-seed trade. Hankkija is the principal wholesale dealer in dairy machinery and equipment. It equipped all creameries built in 1921 and supplied the machinery and equipment to 26 out of the 27 new cooperative creameries built in Finland during the first ten months of 1922. Hankkija's turnover in 1921 was 122 million Finnish marks, 30% of this amount representing the purchase of home-farm products.

Cooperation has created a new day in dairying, Finland's most important branch of agriculture. It has made possible the production of standardized, high-quality dairy products. The last decade has witnessed the disappearance of the private creamery. Cooperative creameries which now number 500 have taken its place. Since the War, the cooperative creameries have undertaken to pay milk producers on the basis of quality. With respect to the centralization of the cooperatives for selling dairy products, the Finnish creameries rank first in Northern Europe. In 1907, 17 cooperative creameries formed the Cooperative Butter Export Association (Valio) for the purpose of marketing their products. Its turnover increased from 7.4 million Finnish marks the first year to 364.5 million Finnish marks in 1921. To-day its membership comprises 300 cooperative creameries and it sells over three-fourths of Finland's export dairy products. In addition, the central association handles the principal portion of the wholesale milk trade in three of the principal cities. In Helsingfors and Viborg, it owns and operates large modern plants for the manufacture of condensed milk, and also owns and operates large cheese-storage cellars. Membership in Valio is secured through a contract with a local creamery which involves the purchase of shares and an additional limited financial guarantee, together with a two-year delivery pledge.

A system of cooperative rural banks, which supply short-term farm credit for the purchase of fertilizers, farm machinery, improved

live stock, etc., is of tremendous economic importance to the agricultural industry. These banks are purely local, are operated on a cooperative basis, and now number 775. The local banks are federated into the Central Rural Bank Credit Institute, which in 1921 granted +1.2 million Finnish marks to the local societies.

Other cooperative federations are cattle selling societies, egg selling societies, and a more recently formed central organization among farm forest owners, which engages in the cooperative marketing of wood products, both at home and abroad.

Finnish cooperation is characterized by strong centralization and sound business management. It commands the highest type of business management, especially in the large central associations. Furthermore, the financial position of the cooperative societies has been strengthened by the building up of large reserves.

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OREGON PEPPERMINT OIL SOLD COOPERATIVELY

The peppermint growers of Oregon, in 1920, organized an association known as the Oregon Mint Growers' Cooperative Association, with headquarters at Corvallis. The association controls 550 acres, or approximately 50% of the peppermint grown in the State. Growers are under a five-year contract to deliver the distilled oil to the association. The average yield per acre is from 50 to 80 pounds of oil, and from two to five tons of mint hay, which sells for about \$5.00 a ton for feeding purposes.

In 1921, the Association sold 7,000 pounds of oil through a citrus products firm on a 10% commission, netting the members \$1.65 per pound. The 1922 crop, amounting to about 3,000 pounds, is to be sold the same way. A charge of 5% of the gross price of all mint handled is made by the Association to cover operating expenses, selling charges and freight.

Oregon oil has heretofore been unknown to the trade as it was sold to a large Michigan firm and marketed as eastern oil. The firm which handled the 1921 crop advertised the product widely as Oregon oil.

TWO THOUSAND CARS OF LIVE STOCK MARKETED IN FOURTEEN YEARS

The Farmers' Shipping Association at Litchfield, Minn., has been shipping live stock cooperatively since its organization in 1908 and during the 14 years has shipped a total of 2057 cars. The first year 14 cars were forwarded to the South St. Paul stock yards. In the banner year, 1919, 217 cars of live stock were shipped, and in 1921, 185 cars. The total receipts from sales amount to \$3,702,266.19. The number of cars shipped each year and the gross receipts are as follows:

<u>Year</u>	<u>Cars</u>	<u>Gross Receipts</u>
1908	14	\$ 11,599.25
1909	35	39,569.27
1910	81	102,163.35
1911	104	114,764.56
1912	146	181,544.10
1913	153	218,116.75
1914	173	256,044.14
1915	172	216,518.42
1916	184	284,379.23
1917	175	339,610.15
1918	203	552,775.45
1919	217	625,930.61
1920	210	436,545.44
1921	185	272,805.47
Total	2,057	\$3,702,266.19

Detailed figures regarding the operations of the association are available for the five years, 1917-21. During that period 995 cars, containing 71,845 animals, were sent to market. Of the total number 47,569 were hogs, 12,011 were calves, 9,352 were cattle, and 3,113 were sheep.

The animals sold at the stock yards for \$2,277,667.12, and of this amount \$2,189,512.25 was returned to the farmers after all expenses were paid. This was 96.12% of the amount paid at the stock yards for the animals. The gross sales, returns to farmers, and percentage of total paid to the farmers for each of the five years, are shown below:

<u>Year</u>	<u>Gross Receipts</u>	<u>Returns to Farmers</u>	<u>Percentage</u>
1917	\$ 339,610.15	\$ 377,005.19	96.76
1918	552,775.45	535,496.33	96.37
1919	625,930.61	606,432.80	96.38
1920	436,545.44	417,462.74	95.62
1921	272,805.47	253,115.19	92.73
Total	\$2,277,667.12	\$2,189,512.25	96.12 (Ave.)

The total expenses in connection with the marketing of these 71,845 animals were approximately \$83,000. The larger items making up this total were:

<u>Home Expenses</u>	<u>Percentage of Total</u>
Manager's Commission	\$9,652.99 11.0
Manager's Expenses	3,464.75 3.9
Yard Expense	2,538.93 2.8
To Sinking Fund	<u>2,513.33*</u> <u>2.8</u>
Total	\$12,170.00* 20.5
<u>South St. Paul Expenses</u>	
Freight, Switching,	
War Tax	\$53,580.29 38.2
Selling Commission	15,572.59 17.7
Feed, Weighing, In-	
spection, Insurance	11,444.17 13.0
Yardage	<u>8,973.14</u> <u>10.1</u>
Total	\$69,570.19 79.0
Grand Total	
	\$87,740.19* 100.0

It will be noted that the item representing freight charges is the largest single item in the cost of marketing. As Litchfield is only 80 miles from the South St. Paul stockyards these charges are much smaller than they would be for an association located at a more distant point. Nearness to the market is one of the factors which makes it possible for the members of this association to receive 95% and 96% of the stockyard selling prices. As the distance of associations from market increases and freight charges increase, the central market expenses form a larger and larger percentage of the total cost of marketing.

*(While the above figures are approximately correct, there is an error of a few hundred dollars owing to transfers and retransfers in connection with the sinking fund account. The percentage figures are practically correct).

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ATLANTIC COAST EGGS TO BE SOLD IN EASTERN MARKETS

The New Jersey Poultry Producers' Association, organized in the autumn of 1921, has been expanded and reorganized as the Atlantic Coast Poultry Producers' Association. The new organization proposes to handle the eggs produced by ten million hens in a dozen States. An office and sales room has been established at 14 Jay St., New York City, and branches are to be established in other cities as needed.

VERMONT MAPLE SIRUP PRODUCERS COOPERATE SUCCESSFULLY

One of the oldest and best known New England agricultural products has entered the cooperative field. The Manager of the Vermont Maple Products Cooperative Exchange, Inc., which began business on March 1, 1922, submitted his first annual report to the board of directors on January 8, 1923. The Exchange has received 14,478 gallons of sirup during the past year. Payments to producers when completed will be at the rate of \$1.45 per gallon for No. 1 sirup, \$1.15 for No. 2, and \$.70 for No. 3. Of the total sirup received, 8,415 gallons, or 56.9%, graded No. 1. The total expense, including processing and storage charges, containers, etc., was 50.8¢ per gallon, of which approximately 16.9¢ per gallon represented sales and advertising expense and the expenses of the central office.

The Exchange is at present composed of eight incorporated locals. No membership campaign will be necessary during the coming season, the directors state, because it is not desired to increase the output of the Exchange any faster than processing and marketing facilities are developed. The local associations report that their membership will be doubled if all applications are accepted, and six additional associations are being organized on the initiative of the local producers. This, it is estimated, will give the Exchange approximately 50,000 gallons to market during the current year.

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FLORIDA EAST COAST POTATO ASSOCIATION REORGANIZED

The Hastings Potato Growers' Association, Hastings, Fla., has recently been reorganized. A contract with the Florida Citrus Exchange has been signed by the Association and the sales, traffic and claims service of the citrus organization will be used for marketing potatoes. Shipments of members will be pooled. Arrangements for an advance of approximately \$300,000 to members for the purpose of purchasing seed, fertilizer, containers, etc., have already been made through the Federal Reserve Bank. The Hastings district is the earliest white potato section in the South. A small association has been in operation for about five seasons, but this is the first attempt to market any important portion of the crop cooperatively.

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WORK OF CRANBERRY EXCHANGE DESCRIBED IN BULLETIN

Bulletin 1109, "Sales Methods and Policies of a Growers' National Marketing Agency," has recently been issued and copies may be obtained by addressing the United States Department of Agriculture, Washington, D. C. The bulletin traces the development of local and State cranberry associations in Massachusetts, New Jersey, and Wisconsin, and discusses the causes which led the associations of these three States to federate into a National sales agency.

COMMODITY MARKETING ASSOCIATIONS IN OREGON

Oregon now has six large commodity organizations which market fruit, poultry, wool, grain, hay, and mint, for their members. Of the six, one was organized in 1919, one in 1920, and four in 1921. A seventh association for selling dairy products was organized and operated for several years, then failed.

The initial cost of organizing these six associations was over \$95,000, making the average per-member cost \$11.10. The physical property owned at present is valued at nearly a half-million dollars. The business carried on amounts to over seven millions annually, averaging \$848.18 per member.

Figures relative to membership, organization costs, and volume of business, are given below:

Name of Association	Number of Members	Organization Cost	Cost per Member	Volume of Business	Ave. Business per Member
Oregon Growers Coop. Assn.	2,000	\$47,543	\$23.77	\$1,981,557	\$ 990.27
Pacific Coop. Poultry Assn.	1,300	5,700	4.38	735,942	604.57
Pacific Coop. Wool Growers	2,000	9,428	4.71	316,000	158.00
Oregon Coop. Grain Growers	3,000	30,645	10.21	4,033,000	1,361.00
Oregon Coop. Hay Growers	255	1,950	8.29	90,000	382.97
Oregon Mint Growers' Coop. Assn.	40			16,800	420.00
			(Ave.)		(Ave.)
Total	8,575	\$95,266	\$11.10	\$7,273,299	\$848.18

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70% OF MICHIGAN GRAPES SOLD COOPERATIVELY

More than two million dollars for 2,600 cars of grapes, averaging 12 tons to a car, is the record for the 1922 season of the cooperative growers' associations of Michigan. Records show that the cars were shipped into 251 central markets in 34 States, going east to New England, west to Arizona and Utah, and south to Florida. It is estimated that the cooperatives control about 70% of the crop of the State.

AMERICAN COOPERATIVE ASSOCIATION IN HANDS OF RECEIVER

A receiver is doing the best that he can to straighten out the affairs of the American Cooperative Association, Milwaukee, Wis. This association, which was incorporated for a quarter of a million dollars in 1913, under the Wisconsin laws of 1911, was promoted by a small group for the purpose of doing business for and with farmers and farmers' cooperative units. The plan of the promoters contemplated furnishing the farmer with his supplies and providing an outlet for his produce. The Association undertook to buy for farmers, groceries, flour, feed, fencing, coal, twine, oils, farm implements, etc., and to sell potatoes, grain, live stock, hay, seeds, and poultry. The headquarters of the organization originally were established at Wausau, Wis., but early in the life of the association the main office was moved to Milwaukee. At one time a branch was located in Chicago, and other branches were located in Kentucky, Nebraska, Indiana, Washington, and Minnesota.

During the first few years the Association operated with but limited capital. According to the annual report for 1915, filed with the Secretary of State for Wisconsin, a business of \$124,889.37 was done on a paid-in capital of \$1,070. Prior to March 1, 1917, a stock-selling campaign was conducted, and by the date indicated the capital stock paid in money, property, and services, had been increased to \$9,070. It is alleged that much of the stock outstanding in 1917 was held by farmers in distant states or was controlled by commission men who expected to get a share of the business.

At the time the Association went into the hands of the receiver the officers were trying "to do a business of \$7,000,000 with an actual cash operating capital of about \$300,000."

The failure of the organization has been explained in several different ways. The opinion of the receiver, who is now in charge, is that it was mainly due to "too rapid expansion with insufficient capital," also to the lack of "men sufficiently experienced in business to handle a proposition which assumed very large proportions." In the opinion of a trained marketing man who has been in a position to watch developments, "mismanagement, building the organization from the top down, lack of farmer control, and speculative phases, were the principal causes of its failure." In his opinion it is doubtful "whether this organization could have succeeded under any circumstances the way it was conducted."

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MILK MARKETING ASSOCIATION IN HANDS OF RECEIVERS

Two receivers were appointed on December 4, 1922, by the Federal Court of East St. Louis, to take over the affairs of the Illinois-Missouri Cooperative Milk Marketing Association. The plant was closed and most of the employees discharged. Efforts are now being made to get the business in shape so that it may be continued.

ORGANIZATION PLAN OF OREGON PRUNE GROWERS

About 1500 acres of prunes in Yamhill County, Oregon, are controlled by the Dundee Fruit Growers and Packers, Incorporated. The annual crop is about 1200 tons of dried fruit. This association was organized in 1913 as a cooperative stock company. It does the work of a cooperative association but is not organized under the Oregon cooperative law. Each share of stock has one vote and dividends are paid on stock.

The growers, numbering fifty or sixty, are under contract to deliver their fruit to be packed and sold by the Association, and the contracts run from year to year unless cancelled by written notice from either party between the first day of April and the first day of May in any year. The fruit is pooled and a large portion is sold through brokers. A reputation is being established for the association's "Red Hills" brand.

No advances are made to members on their fruit, payment being made as the prunes are sold and returns received from sales. Three or four months are required to close a pool and usually by the first of each year about three-fourths of the value of the crop has been distributed to the growers. Nine directors are selected from the membership to control the business of the association and a full-time manager is employed to handle the crop.

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COTTON GROWERS TO RECEIVE \$450,000 IN JANUARY

Advances to the amount of \$3,941,736.24 were made to members by the Oklahoma Cotton Growers' Association in November and December, and about \$450,000 more is to be paid by January 20, completing the 4 cents a pound distribution on cotton classed in December. Ten thousand seven hundred sixty-two bales remained to be classed in January, and a payment of 4 cents a pound will be made on these in February. At least one more distribution will be made before the final settlement.

The total number of bales received by the Association this season is 65,581. Of the cotton already classed the largest number of bales of one grade was 16,678 of Middling White, with 11,935 bales of Strict Middling White, and 11,071 of Strict Low Middling White, and lesser numbers in 15 other grades. Classed by staple, 4 bales attained the 1 3/8-inch class; 17, the 1 1/4 to 1 5/16-inch class; 134 bales reached 1 3/16-inch, and so on. The largest number of bales, 26,822, fell within the 7/8-inch class; 18,234 were one-inch staple; and 6,034 less than 7/8.

Growers are interested in learning the classification of their cotton and one manager reports that it is very gratifying to see the members of the Association taking extreme care of their cotton and demanding that it be properly ginned.

COOPERATIVE BUYING BY FARMERS' ASSOCIATIONS

Nine hundred twenty-seven farmers' buying and selling associations in the States of Illinois, Iowa, Kansas, Minnesota, Missouri, and Nebraska, report that they buy feeds cooperatively; 852 that they buy fuel; 629 that they buy containers or material for making containers; and so on down the list given below.

	<u>Number of Associations</u>
Feeds (Grain, hay, cottonseed meal, flour, etc.)	927
Fuel (Coal, wood, gasoline, etc.)	852
Containers (Barrels, boxes, cans, crates, baskets, cartons, sacks, container material)	629
Implements and Machinery	465
Spraying Materials	447
Fencing (Posts, wire, etc.)	431
Seeds	369
Hardware (Glass, paint, oil, etc.)	360
Building Material (Lumber, lath, shingles, lime, cement, brick, stone, etc.)	268
Fertilizers (Commercial fertilizers, lime, etc.)	261
General Merchandise (Groceries, dry goods, clothing, shoes, etc.)	52
Other Items	332

The following table shows the numbers of the more important types of associations purchasing the different lines of goods, according to reports so far tabulated.

	<u>Dairy Associations</u>	<u>Fruit and Vegetable Associations</u>	<u>Grain Associations</u>	<u>Live Stock Associations</u>
Building Materials	12	2	182	61
Containers	126	19	376	52
Feeds	52	14	619	152
Fencing	57	5	195	137
Fertilizers	77	4	125	22
Fuel	71	-	711	31
Hardware	96	3	102	126
Implements, etc.	100	3	266	64
Seeds	30	4	233	64
Spraying Materials	124	18	167	96
General Merchandise	---	3	44	1
Other Items	170	7	178	22

The above tabulation is based on 2302 reports. It is quite probable that as additional reports are included in the compilation the relative importance of some of the figures will be changed, and it is believed that as reports from other sections of the country become available the figures in the table will be materially different.