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RURAL COOPERATIVES IN THE UNITED STATES

Farmers in the United States own or rent their own farms. They pride themselves on their independence in operating their own farming business. And four out of five of them belong to rural cooperatives.



Four out of five farmers are members of farmer cooperatives.

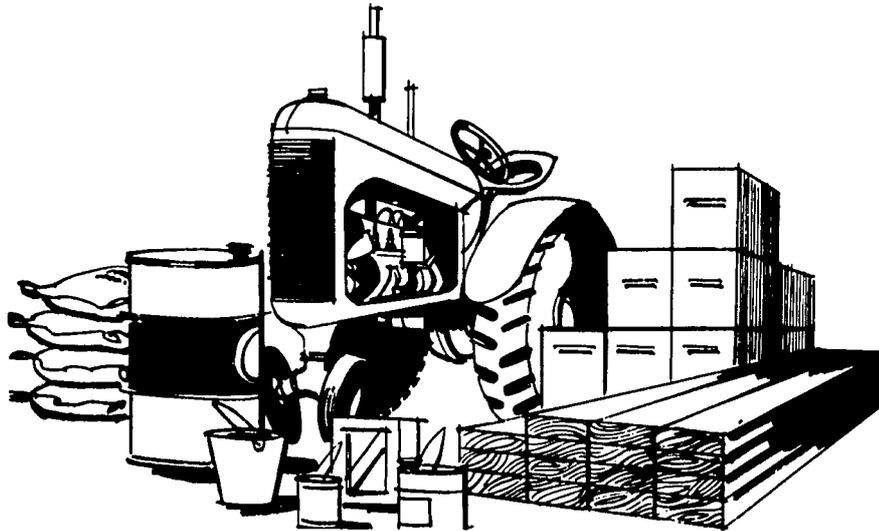
Through cooperatives, U. S. farmers work with their neighbors in selling farm products, buying supplies and obtaining services more effectively. Cooperatives belong to them. Cooperative business is their business. They make decisions about how they use cooperatives just as they make decisions about their own farms.

When a farmer is a member of a cooperative he invests money in it, he takes part in its operations, he serves on the board of directors if elected, and he does business with it.

Today, in every area of the United States, a farmer can get many of the services he needs through his local cooperative. He can sell his products through a cooperative. He can get such supplies as feed, seed, fertilizer, gasoline, oil and grease through a cooperative. He can borrow money both for buying his farm and for operating costs from a credit cooperative. He can get light for his farm home and other buildings and power for his machinery and equipment from a rural

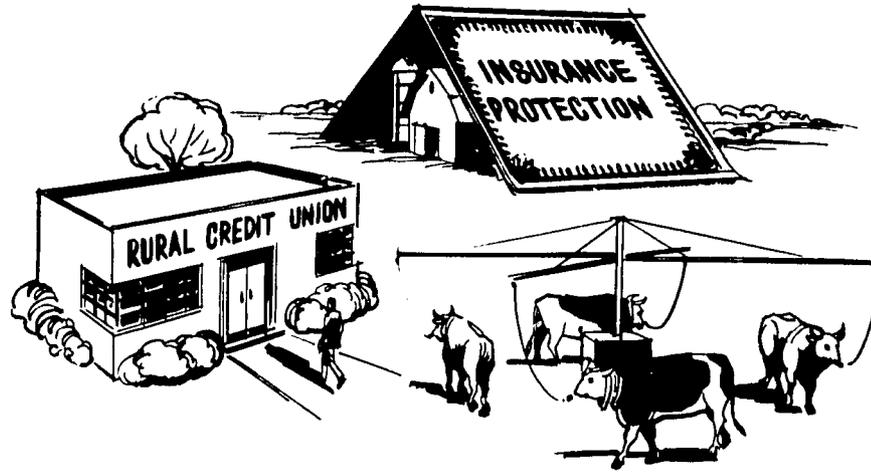


Products produced by farmers are marketed for members



Supplies necessary for farm production are made available to members

electric cooperative. He can protect himself against losses on his property from fire, storms, and theft. And he can get life insurance for himself and his family from a mutual insurance cooperative.



Related services are also provided by Service co-ops

In addition, this same farmer may be a member of other cooperatives that supply him with such services as irrigation for his crops or artificial breeding from good bulls to improve his dairy herd.

This farmer probably belongs to more than one association. For example, if he produces cattle and grain he may send his cattle to market through a livestock cooperative and sell his grain through a grain cooperative where he also gets seed, fertilizer, feed, gasoline, oils, and greases. Or, he may obtain all these services through the various departments of one cooperative. And he may be getting credit, insurance, electricity, and other services through other cooperatives.

He uses these cooperative services for two main reasons. First, he gets quality supplies and services to operate his farm. Second, he increases his income by obtaining these goods and services at cost. Thus he saves on the cost of supplies and services and gets more when he sells his products. A cooperative returns to its members whatever money is left after the cost of doing business is deducted.

Today cooperative businesses are a vital part of rural America. Over 6,600 cooperatives marketed \$9

Major types, number and memberships of
farmer cooperatives
(Available as of January 1963)

Type	Associations	Estimated memberships or participants
Marketing and farm supply		
Marketing	5,727	3,473,423
Farm Supply	3,222	3,679,674
Miscellaneous services	214	49,797
Service		
Federal land bank associations	779	379,940
Production credit associations	487	518,840
Banks for cooperatives	13	3,723,550
Rural credit unions	790	235,000
Rural electric cooperatives	910	4,626,155
Rural Electrification Administration telephone cooperatives	211	472,316
Farmers' mutual fire insurance companies	1,600	3,000,000
Production		
Mutual irrigation companies	7,729	161,679
Dairy-cattle artificial breeding associations	47	675,000

billion worth of farm products in 1960. And 7,000 cooperatives handled \$2.4 billion worth of farm supplies. Actually there are about 9,300 farmer marketing and purchasing cooperatives but many of them both market farm products and handle supplies.

In addition, there are over 11,000 service cooperatives in the United States. These provide credit, electricity, telephones, mutual insurance, irrigation, and artificial breeding.

In 1962, credit cooperatives loaned \$4.8 billion to U. S. farmers and their cooperatives. At the beginning of that same year, the 700 rural credit unions in the U. S. had on loan \$80.5 million. And through their own electric and telephone cooperatives, 5 million rural families were enjoying the benefits of electricity and the telephone.

A COOPERATIVE - WHAT IS IT?

Cooperation in the United States is the voluntary joining together of physical, financial, and human resources by rural people to market farm products, obtain production supplies, and obtain many needed services in rural areas. A cooperative enterprise is one which belongs to the people who use its services. The members control it and distribute the earnings among themselves in proportion to the use they make of its services.

Under close examination, rural cooperatives all have these four characteristics:

1. Rural people set up cooperatives to obtain services for themselves at cost - not to obtain profit from giving services to others.
2. A cooperative tries to give the greatest possible service to its members.
3. A cooperative distributes any surplus among the farmers who are served by it in proportion to their use of its services - not in proportion to their investment.
4. A cooperative is controlled by its members. Each member usually has one vote.

The chief aim of a rural cooperative is to help its members improve their economic welfare by market-

ing farm products and obtaining goods and services effectively. A cooperative buys and sells to help its members increase their individual earnings. A cooperative is a part of the American system of private enterprise just the same as individually owned businesses, partnerships, or other business corporations.

EARLY DAYS OF U.S. COOPERATIVES (1780-1900)

Rural cooperation in the United States is as old as the Nation itself. When the first settlers arrived, they helped each other clear forests from the land, build homes, and construct roads. They banded together for mutual protection against the many dangers and hazards they had to overcome to survive in a strange and undeveloped land.



Farmer Cooperation is as old as American Agriculture



Simple Beginnings

Late in the eighteenth century, cooperatives began to emerge as small informal groups. As early as the 1780's, the colonists had organized "societies" to import purebred cattle, and farmers often cooperated by joining together to drive their herds the hundreds of miles to market.

Among the early group efforts were "cheese rings" established to process surplus milk into cheese; "husking bees" where neighboring farmers gathered at one farm at a time to husk each other's corn; "bull rings" - the forerunners of today's livestock, dairy and artificial breeding cooperatives; and mutual insurance companies to insure their property against wind and fire damage. In fact, a mutual insurance company that Benjamin Franklin helped form back in the late 1700's is still operating.

Experimental Stage

From the earliest pioneer days, U.S. farmers have had problems in marketing their products and gathering enough money to buy necessary production supplies. They soon tried using cooperatives to help solve some of these problems.

About 1810, New England farmers made the first efforts at "associated dairying." By 1860, several cooperative cheese and butter factories had been established. Only a few years later the country had 400 cooperatives processing dairy products.

Farmers of the Midwest built the first cooperative grain elevator in 1857. Two years later farmers of this same region had established two grain marketing cooperatives. The year 1860 saw the first cooperative hog auction.

During the 1850's other Midwest farmers organized themselves into clubs to buy production supplies because by buying together in larger quantities they could get lower prices. But the first real farm supply cooperative was established in New York State in 1863 to buy fertilizer for its members.

Irrigation cooperatives had their origins among the settlers who pushed toward the West in the mid-1800's. Farmers going into dry areas pooled their resources and capital to turn the rivers from their normal courses and spread the water over the land.

Farm Organizations Spur Development

U. S. farmers have banded together into several national farm organizations which represent their interests and work to improve and develop agriculture. These organizations represent farm interests to political leaders, State and National legislatures, and the general public. And they have long taken an interest in what cooperatives can do to solve some of the farmers' economic problems.

The first farm organization in the United States - The National Grange, founded in 1867 - encouraged cooperative marketing and purchasing. Early local Grange units assembled farmer-members' orders for supplies and placed them with dealers who shipped carloads direct to farmers at lower prices. Other cooperative activities of the Grange centered on cotton marketing, rules for organizing cooperative stores, operating elevators, and sending a representative to Europe in 1874 to study cooperatives there.

Two other farm organizations that also helped launch many of the cooperatives in this country are the National Farmers Union and the American Farm Bureau Federation. Many of today's successful cooperatives bear the names of these organizations as part of their business names. The cooperatives operate as independent business concerns although still getting encouragement and support from the farm organizations.

20TH CENTURY BRINGS MODERN IMPROVEMENTS

At the turn of the century, agricultural cooperation was firmly establishing itself as a part of the economic system for serving farmers. Local cooperatives to market products were formed in nearly all States.

By 1920, the number of active cooperatives reached 14,000.

The Government Gives Encouragement

The Federal Government and the States early actively endorsed and helped farmers with their cooperatives almost from the beginning. This encouragement was in the form of aid to farmers in running these organizations more effectively, not of controlling them.

In 1908, President Theodore Roosevelt appointed a Country Life Commission to study rural problems. It reported, "A method of cooperative credit would undoubtedly prove of great service." Farm leaders here made great use of the report published on this Commission's finding.

The United States Department of Agriculture, started in 1862, gave cooperatives effective and fundamental assistance in the early 1900's. But even before that the Department had often aided cooperatives and encouraged farmers in their use.

The Department began its first formal study on cotton marketing through cooperatives in 1912. In 1913, it set up an Office of Markets that studied problems of farmers and their cooperatives. In 1926, Congress authorized the Department to form a Division of Cooperative Marketing to work especially with cooperatives. The Division studied ways for farmers to operate their cooperatives more efficiently and advised farmers, directors, and employees how to improve cooperatives in all their aspects.

State Governments also aided and encouraged cooperatives during their development by passing laws to insure their right to do business and under which they could incorporate. Staffs of the state agricultural colleges gave the emerging cooperatives the benefit of their teaching and research, and provided information and advice on operating problems.

County agents and State and Federal Extension personnel also helped cooperatives get off to a good start. Many managers of successful cooperatives formerly had been county agents who had helped a group of farmers with their cooperative efforts.

NEW TYPES OF COOPERATIVES EMERGE

With this wave of encouragement, new cooperatives developed to provide rural America with credit, electricity, telephones and artificial breeding for livestock.

Credit. A nationwide system of credit cooperatives had its start in 1916 when the Federal Government provided the original capital for the 12 Federal Land Banks. These Federal Land Banks, set up to serve 12 regions of the United States, worked through local Federal Land Bank Associations established by farmers in their own communities as cooperatives. Their purpose was to provide long-term credit for buying farms.

In 1923, the Federal Government created and provided the original capital for 12 Federal Intermediate Credit Banks. In 1933, local Production Credit Associations were set up. These were local credit cooperatives set up by farmers so they could borrow for farm production needs. Production Credit Associations obtain their loan funds from the Federal Intermediate Credit Banks.

Also in 1933, the Federal Government provided capital for district Banks for Cooperatives to loan to cooperative businesses for plant and equipment and for operating costs.

These three types of credit cooperatives are still supervised by a U. S. Government agency called the Farm Credit Administration. But, as provided for in the original plans, they are now or soon will be entirely farmer-owned. This means the farmers will have repaid the Government for the original capital it put into the cooperative credit system. They get money to lend



A local production credit association (PCA)—a credit cooperative that serves a group of farmers in one district—often sends a representative to the member's farm to talk over the member's credit needs. Here a farmer, seated on his tractor, talks over his financing with his PCA representative.

farmers and cooperatives by selling securities to private investors. Then they lend these funds to borrowers at a slightly higher rate of interest which provides operating funds for the credit cooperatives.

Rural Credit Unions. The rural credit union is one of the newer types of cooperatives. The first credit union in the United States was established in Vermont in 1909. A system of early rural credit unions on a statewide basis was set up in North Carolina in 1915. Credit unions provide funds for farmers who want to borrow and provide a place for members to open savings accounts and build up a cash reserve.

Electric and Telephone. For more than 300 years, most of rural America depended on candles and kerosene

lamps for light. The farm wife lighted kerosene lamps for the house while the farmer carried kerosene lanterns to the barn.



Rural United States used to depend on kerosene lamps. Now after forming rural electric cooperatives, nearly every farm home today has the conveniences of a modern kitchen and other conveniences that are run by electricity.

Then, in 1936, the United States Congress passed a law which brought about almost a new way of life on

the farm. This was the law providing loans to local rural electric cooperatives. Farm neighbors, working together, built their own rural electrical industry - generating plants and distribution lines to carry the electrical current out to the farms.

The Rural Electrification Administration, the U. S. agency set up at that time, made loans to the local rural electric cooperatives. This agency also began making loans to rural telephone cooperatives in 1950 to help new cooperatives take telephone lines to new communities or to improve facilities of other telephone companies in rural areas.

Artificial Breeding Associations. The first artificial breeding association for dairy cattle was organized in 1939. Its goal was to improve the quality of dairy herds and thus increase milk production. These associations can afford good quality bulls with proven ability to transmit high milk production to their offspring.

Backing Provided by New Laws

Beginning in 1922, the United States Government enacted six major laws to help establish the rights of farmers to use cooperatives.

The Capper-Volstead Act. Passed in 1922, this law gave producers of agricultural products the right to unite and form cooperatives for handling and marketing their products without being accused of violating antitrust laws.

The Cooperative Marketing Act. Passed in 1926, this Act directed the U. S. Department of Agriculture to establish a Division in the Department to provide research, service, and educational assistance to cooperatives. This work has continued since that time and is now handled by the Farmer Cooperative Service.

The Cooperative Marketing Act established official government policy toward cooperatives for the first

time. It has become known internationally as a benchmark for Government support of cooperatives.

The Federal Farm Loan Act. Passed in 1916, this law began the national cooperative Farm Credit System through which the Federal Land Bank Associations provide long-term credit for farmers.

Farm Credit Act of 1933. The Farm Credit Act of 1933 authorized farmers to organize a countrywide system of local cooperatives—production credit associations—which made operating credit readily accessible. This Act also provided for organizing the Banks for Cooperatives.

Rural Electrification Administration. An executive Order of President Franklin D. Roosevelt in 1935 created the Rural Electrification Administration in the Department of Agriculture. The REA makes loans to rural groups to start or improve operations of rural electric and telephone cooperatives.

The Federal Credit Union Act. This Act, passed in 1934, authorized Federal chartering of credit unions. This function is handled by the U. S. Department of Health, Education, and Welfare.

National and State Groups Give Support

As cooperatives grew in size and complexity, they found they needed organizations to give them national representation. The organizations they formed became effective voices of the cooperatives. They also contributed much to the sound development of U. S. cooperation.

The National Milk Producers Federation, organized in 1916, the National Federation of Grain Cooperatives, started in 1939, and the National Rural Electric Cooperative Association, founded in 1942, have been the national voices for their respective types of cooperatives. These organizations represent cooperative interests in legislative and government circles and also



About a quarter of a century ago, this Hereford, Tex., Federal Credit Union started with only a few dollars and a few members. Today, it has this modern office building, and handles large amounts of loans and savings for many members.

do educational and informational work for the cooperatives.

The Cooperative League of the U. S. A., organized in 1916, and the National Council of Farmer Cooperatives, organized in 1929, represent cooperatives on broad policy questions and in legislative and public relations matters. The American Institute of Cooperation, organized in 1925, stresses education and informational work.

Some 35 States now each have a council that represents cooperatives in policy, public relations, and educational and legislative matters. Many of them conduct

educational programs and hold workshops for directors and cooperative employees.

Permanent Patterns Form

In the early years, when U. S. cooperatives were struggling to survive, a basic form of organization began to take shape.

Member Control Built Into Organization. Whatever the type of cooperative, members learned that it was essential that they hold the reins - that they own and control the cooperative.

To keep this control, they worked out the system of electing a board of directors from among the better-informed farmers in the membership. This board is responsible for determining policies. Most boards have seven members but the number may vary. Board members usually serve two or three years.

One of the board's major responsibilities is to hire a competent manager. The manager hires the other employees and directs day-to-day operations.

Members also retain control by holding annual meetings to hear reports on their business and to vote on major questions of policy and finance.

Regionals Emerged. The earliest cooperatives were small for they served only a few farmers in a small community. Usually they had only one purpose, such as marketing grain or buying feed. Often the marketing cooperative was a local shipping association that assembled farm products into carlot shipments. The supply cooperative ordered rail carloads of feed or fertilizer and each farmer moved his share from the car into his own wagon.

Then came the first steps toward the formation of regional cooperatives - a number of local cooperatives joining together to form another cooperative to do some of the jobs locals couldn't do alone. These regionals pooled money and business of a larger number of farmers for more efficient operation. For example,



Supply cooperatives often got their start by several farmers joining together to order a rail carload of feed to get the lower carload price. The farmers would then drive up to the car on a siding and take their own feed out to their farms.

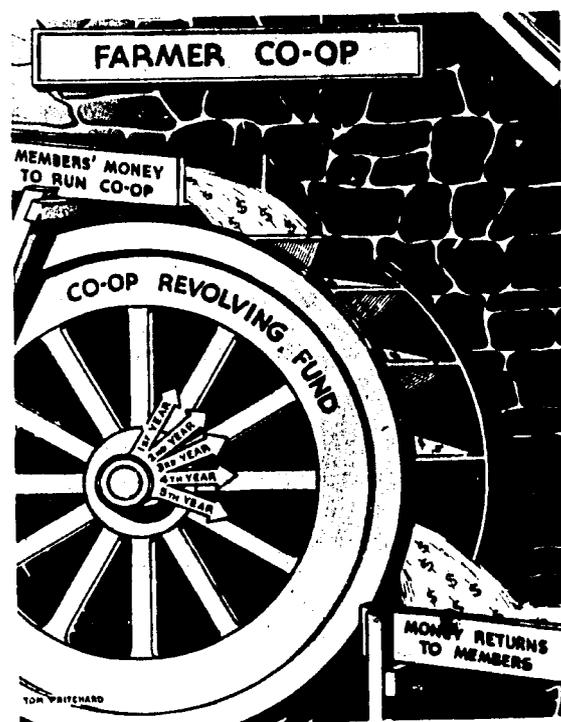
several smaller marketing cooperatives might join together to form a cooperative to sell for all of them at a terminal market. Or several local cooperatives would join together to manufacture their own feed through a regional organization.

Methods of Financing Improved. In the earliest days of U. S. cooperatives, members had to use their own savings or borrow on their personal credit from a local lending institution to get money to operate the cooperative. Members of the boards of directors often signed personal notes. Farmers bought stock to provide funds for the cooperative.

Later, cooperatives improved this financial situation by adopting a system of revolving capital. This

was possible through effective use of the patronage refund.

U. S. cooperatives operate on a cost basis and money left over at the end of the operating year, after all expenses have been paid, belongs to the members. They then divide this remaining money among the members according to the volume of business each has done with the cooperative. This share is called a patronage refund. For example, if one farmer delivers \$500 worth of grain to his marketing cooperative and another delivers \$1,000 worth, the patronage refund for the second farmer would be twice that of the first farmer.



This figure illustrates how some of the money saved by a cooperative through operating at cost—and due the members as patronage refunds—may with proper authority from the members be placed in a "revolving fund." The cooperative can then use this money for operations, to improve facilities, or for other needs. It then pays out this retained money to the members a few years later.

Under proper authority from its members, the cooperative can withhold the refund and give the member a certificate as proof of ownership of his share. In other words, the member invests the earnings from his patronage in his cooperative. These withheld funds are then paid to the members later on the "revolving fund" or other basis. If the cooperative is on a 5-year revolving fund basis, for example, it would hold the 1961 patronage refunds until 1966.

Organization of the Banks for Cooperatives in 1933 provided a new source of loan funds for cooperatives. A cooperative that is financially sound and has a justifiable need for capital can turn to one of the district banks for cooperatives for a loan. The bank also gives counseling and advice to help the cooperative operate efficiently.

Cooperatives also borrow from local banks and other lending institutions. As they have grown and developed sound operations, they have found it easier to get this type of loan.

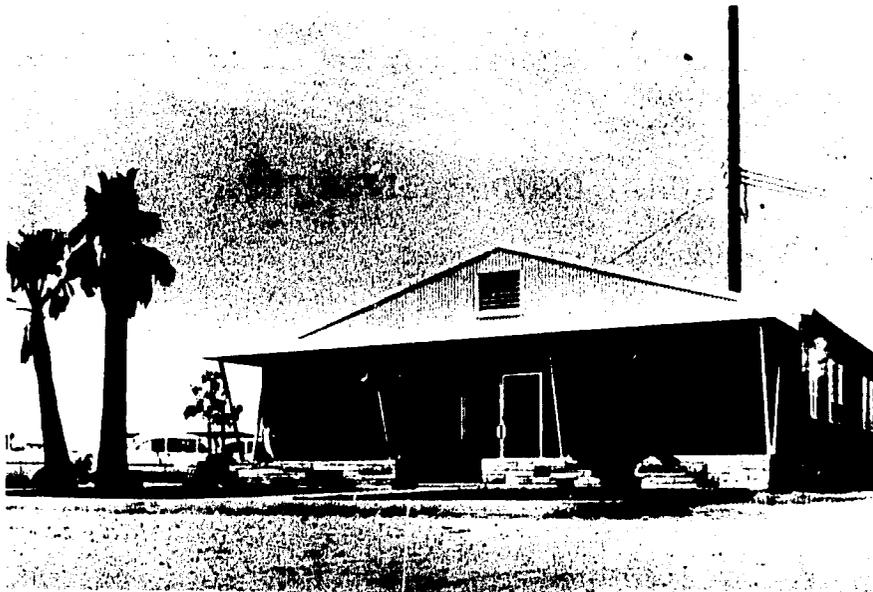
RURAL COOPERATIVES TODAY

Scope and Magnitude Are Great

The period of 1945 to the early 1960's saw marked expansion and development of cooperative operations. Among these changes were expanded marketing and purchasing activities, processing and handling higher quality products, giving on-the-farm services, and continual improvement in other cooperative services to farmers.

Expanded Marketing and Purchasing Activities. Marketing and purchasing cooperatives increased the size and scope of their businesses. And farmers organized many more supply cooperatives.

The so-called U. S. "farm revolution" of the past few decades was a boon to the supply business. For as



From the one room operation in an old building, as shown in the top picture, to the modern building below in two decades, is the success story of one United States cooperative.

farmers mechanized their farm operations they needed more and more petroleum products. As they farmed

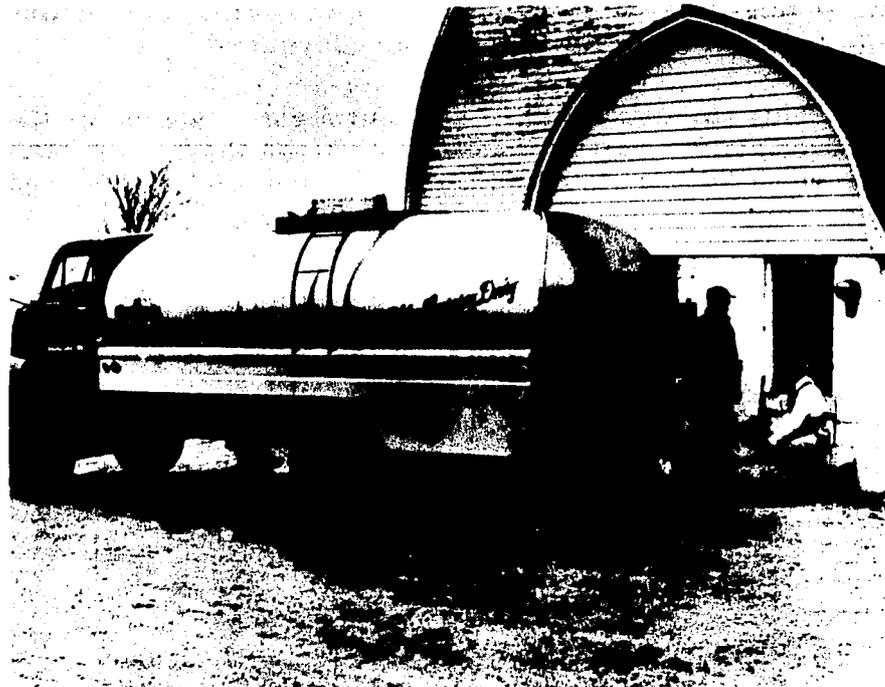
more land and specialized their operations, their needs for fertilizer and other supplies increased.

This mechanization also brought changes to the farmers in marketing cooperatives, as they could handle more land and produce larger crops, and thus needed more supplies and improved marketing methods.

Small, local cooperatives merged into larger ones. With automobiles and modern highways, farmers drive longer distances to larger cooperatives that can serve



Until recent years, farmers used cans for moving their milk, either bringing them to the cooperative themselves as shown here, or having the cooperative pick them up at a roadside station.



Now most dairy farmers have refrigerated bulk trucks on their farms and the cooperative bulk truck comes out to the farm to pump the milk directly into the truck through a plastic hose. This means improved quality and less labor for both farmer and cooperative.

several small communities more efficiently. Here are examples of this development.

A group of farmers in California formed a cooperative in 1938 to help sell their alfalfa hay to nearby ranchers and dairymen. With success in this venture, they broadened their marketing operations to barley, wheat, sorghums, and cotton. The cooperative now handles more than \$300,000 worth of fertilizer for the 200 members.

From a one-room operation in 1938, the cooperative expanded until in 1962 it owned its own air-conditioned headquarters building, a modern 5-stand cotton gin, 2 buildings for storing grain, and a fleet of 8 truck tractors with 18 sets of double trailers. And it marketed some 32,000 tons of alfalfa, 475,000 pounds

of alfalfa seed, and 1,000 tons of wheat, barley, and sorghum.

Or take a livestock marketing cooperative in Florida where cattle raising is relatively new. Stockmen in South Florida in the late 1940's realized that they had a growing livestock industry but almost no markets. They had to sell their cattle from the ranches or farms to traveling buyers often at low prices.

So they organized a cooperative, one that has proved successful in finding better markets for their cattle. Its sales in 1961-62 reached \$3.5 million. It has pioneered in the campaign for better cattle and holds sales of purebred breeding stock. This cooperative also gets supplies more economically for its members - mineral supplements for feed, miscellaneous feeds, small farm and ranch equipment, and veterinary supplies.

More Services Provided. Another cooperative which started in 1936 as a 5-member local has grown into a regional now serving 135,000 farmer-members through 120 local outlets over 4 States. It began when cotton prices were so low that they did not even pay for the costs of cotton production. At first, this cooperative operated only as a small local association to sell cotton. Later it added grain.

In its early years, the members also started getting better quality fertilizer through the cooperative. The fertilizer they had been buying carried large amounts of "filler." Eventually, as more locals joined with them in a regional organization, they established a plant to manufacture the type of fertilizer members wanted and at a better price.

This cooperative also produces its own quality seeds - seeds adapted to the climate. Through it, members get feeds, pesticides, and other supplies. More recently it began processing and marketing peanuts and pecans. It makes peanut oil from the members' peanuts and sells pecans in the shell or shelled and packaged.

It buys certified eggs, hatches them, and sells the baby chicks to its members. The co-op dresses and markets the members' poultry both in the United States and in countries abroad. And it has an affiliated insurance cooperative to meet the members' needs for farm insurance.

Other locals have joined together into regional cooperatives to do many other jobs for farmers - milling feed in large, mutually owned plants; refining petroleum; making fertilizer; processing fruits and vegetables; selling livestock at terminal markets; processing soybeans and cotton into oil and meal; and processing and packaging rice.

Processing and Handling Higher Quality Products. Marketing cooperatives also have developed new ways to get better prices for farmers' products - processing and packaging items into ready-to-eat food, developing new juice drinks, and using such new methods of food preservation as dehydration.

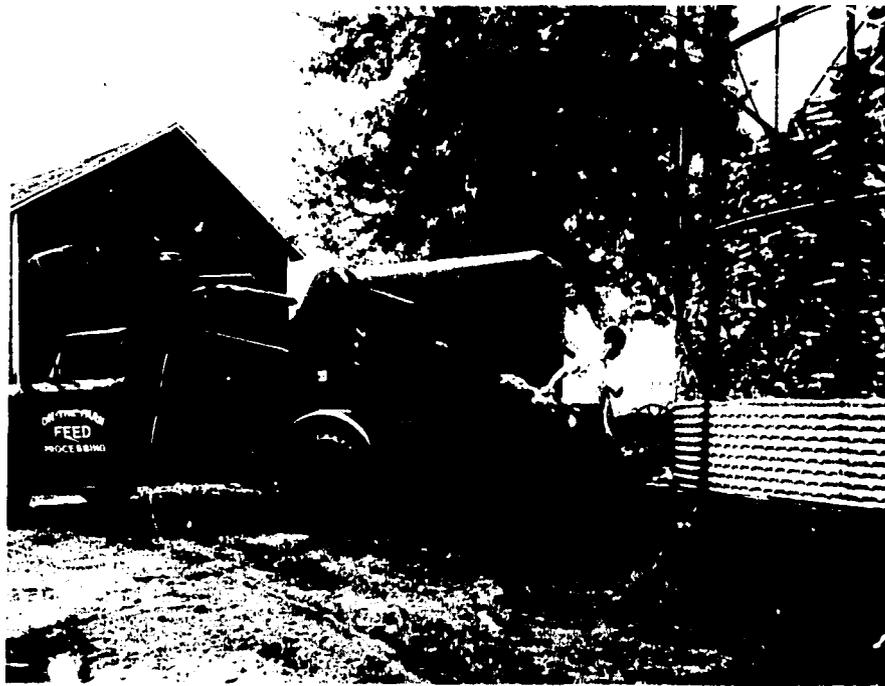
Successful cooperatives emphasize quality products that require good seed and farm practices as well as good handling in the processing and selling stage. They adopt good grading practices and high standards, as an example. Many egg cooperatives now use refrigerated trucks to pick up eggs at the farm in order to preserve quality.

In earlier years, U. S. dairy farmers put their milk in cans and either took them to town or put them by the roadside for the cooperative truck to pick up. Milk often soured. Today many dairy farms have refrigerated bulk tanks where the farmer keeps his milk in sanitary condition. The cooperative sends a large tank truck each day to collect the milk through sanitary hoses. Dairy cooperatives have shifted rapidly to bulk milk handling for it cuts costs, makes handling easier, and improves milk quality.

On-Farm Assistance Offered. Rural cooperatives in more recent years have also expanded their activities to help

farmers with actual farming operations. Some fruit cooperatives have helped develop bulk handling methods, particularly in the citrus groves, which cut down time and labor at picking time, and even manage groves for absentee owners. Others deliver petroleum to the farm yard, feed into the barn bin, and fertilizer to the farm. Some cooperatives spread fertilizer over the farmer's fields.

Many supply cooperatives grind and mix the farmer's grain - either that which he hauls in directly for grinding or takes from that which he has previously stored with the cooperative - and add the supplements that will give his livestock better gains. A new development that is gaining in popularity is the use of mobile feed mills. The cooperative owns a small, portable feed mill that moves from farm to farm to grind feed for the members right on their own farm.



Cooperatives in some areas are now buying small, portable feed mills, that can move from farm to farm to grind the feed right at the feeding point. One cooperative in northeast United States now owns over 100 of these.

Many farmers now hire soil experts through their cooperatives. These specialists test soil in each field to see what fertilizer is needed. Then farmers have the cooperative mix the fertilizer to meet specifications of the soil test. Some cooperatives refer to this as "prescription blending" to meet specific needs of the soil.

Some larger cooperatives own research and demonstration farms, or join with other cooperatives to own them. Here members can see good farming practices. And here the cooperative tests new products, practices, and supplies under actual farming conditions.

Many U. S. cooperatives have trained specialists who can advise farmer members on agricultural questions. These specialists may be trained in such fields as dairying, fruit growing, or livestock raising.

Credit, Electric, and Other Cooperatives Have Grown. As farms have grown larger and the money required to operate them has continued to increase, credit cooperatives have had to expand, too. In 1962, 775 Federal Land Bank Associations loaned U. S. farmers \$636 million to buy farms and make other long-range investments.

The 475 Production Credit Associations loaned \$3 billion in 1962. These PCA's, as they are called, adapt the loan to each individual farm business. A farmer can request an amount of credit for an entire production season, draw out part of this amount as he needs it, pay interest for only as long as he uses each amount, and then pay back the money as he sells his product.

Farmers can get money for supplies and for the expenses of their seasonal operations through PCA's. In many areas, PCA's and farm supply cooperatives work together - the PCA lends the farmer member money to get his supplies from his cooperative. This has been helping the cooperatives that were spending time and money on extending credit to members. And since extending credit is the business of the PCA's, this has often worked well for both cooperatives.

Banks for Cooperatives loaned \$860 million to marketing and purchasing cooperatives in 1961-62. Cooperatives used these loans to build or improve plants, to add equipment, and to provide working capital for handling commodities during the processing, marketing, or storage stage. Business specialists in these banks offer advice to cooperatives on improving their operations.

Also, some 350 marketing and farm supply cooperatives have organized credit unions to help meet members' credit needs. These account for about half the credit unions in rural America. Members use these credit unions to get money for many purposes. They also open savings accounts in them and find it a convenient and habit-forming way of saving. Credit unions get their money to lend from money other members put into savings accounts.

As of July, 1962, a total of 993 rural electric cooperatives were operating 1.5 million miles of lines that served 5 million farmers and other rural consumers. A total of 214 telephone cooperatives were serving some half million rural subscribers over almost 193,000 miles of lines.

Some 1,600 mutual fire insurance companies operate in 40 of the 50 United States. Other insurance cooperatives supply wind storm, automobile, farm liability, and life insurance.

Rural people use these insurance cooperatives because coverage is geared to rural conditions. As one example, farmers often get lower rates for automobile insurance because companies take into account the fact that farmers drive on country roads with fewer traffic hazards.

Cooperative or mutual irrigation companies supplied water for some 8 million acres of farm land in the United States in 1962. And 42 artificial breeding cooperatives are providing semen to breed almost 5 million cows a year.



Cooperative or mutual irrigation companies were supplying water for some 8 million acres of farm land in the United States in 1962.

Government Provides Aid

Rural cooperatives operate under all requirements and regulations imposed by government - local, State, and Federal - on all private businesses. No representative of any one of these governments interferes with the internal operations of a cooperative. Yet the Federal Government has offered the encouragement of research and educational assistance to rural cooperatives from the time they were organized. Major political and agricultural leaders have endorsed them.

Assistance to cooperatives by the U. S. Government has helped sustain, guide, and stimulate farmer leadership. This is in direct contrast to Government control. In the United States, Government assistance to cooperatives has been in the fields of guidance, financing, research, education, and service.

Financing to Meet Cooperative Needs. Banks for Cooperatives, supervised by the Farm Credit Administration, and the Rural Electrification Administration are the

U. S. Government agencies that help finance rural co-operatives. The Government does not give the money to cooperatives, however. These agencies lend money which has to be repaid.

As of July, 1962, marketing and farm supply co-operatives had borrowed more than \$11 billion from the Banks for Cooperatives, some 94 percent of which had been repaid with interest. The remainder is in current loans. At the same time rural electric cooperatives had borrowed \$3.9 billion from the Rural Electrification Administration and had repaid \$1.6 billion with interest. Telephone cooperatives had borrowed \$261.6 million and had repaid about \$36.6 million.

Research for Better Operations. The Farmer Cooperative Service of the U. S. Department of Agriculture and



A manager of a United States cooperative, second from the left, receives a check for a loan from the treasurer of a Bank for Cooperatives. This check included the 500 millionth dollar loaned by this one bank since its foundation in 1933.

State Land-Grant Universities conduct research on operations and problems of marketing and farm supply cooperatives. Research concerns cooperative principles, policies, and operations. Studies deal with cooperative organization, financing, management, service to members, accounting, merchandising, pricing, transportation, communication, and membership relations.

Farmer Cooperative Service publishes results of its research and issues a monthly magazine, News for Farmer Cooperatives, which includes research highlights and other information.

A number of regional cooperatives, realizing the importance of research in business operations, also employ their own research staff. Research to improve operations in the marketing and farm supply fields



An exhibit of some of the hundreds of publications Farmer Cooperative Service has printed to report results of its research findings on cooperative policies and operations.

therefore involves three-way cooperation - between cooperatives, Land-Grant Universities and Farmer Cooperative Service.

Education and Service Available. A considerable part of the help to rural cooperatives provided by the U.S. Government can be classified as education and service.

County Agents, who represent the cooperative Federal-State Extension Service in each county, are close to farmers who may want assistance. They advise steps to take in getting a start or in improving their cooperative. The Land-Grant University's agricultural college, which is the center of agricultural information and research in each State, also is close enough to give advisory help when needed.

When the Rural Electrification Administration was established, its policy statement stated that "REA shall render certain technical advice and assistance to its borrowers" to protect the security of the Government loans. It also stated that this help "shall progressively diminish" as borrowers gain in experience and maturity.

Direct REA assistance to rural electric cooperatives has "diminished" considerably. Yet the REA staff advises and assists on engineering, construction, operating, accounting, management, and legal problems. It also provides specifications for materials to insure that rural electric cooperatives have uniform equipment; and provides safety instructors, speakers, and motion pictures for cooperative meetings.

Representatives from Farmer Cooperative Service and the agricultural colleges sponsor or take part in conferences, cooperative meetings, and sometimes meetings of cooperative Boards of Directors. They instruct in such training programs as schools on accounting and management.

Farmer Cooperative Service also acts as a clearing house for information on rural cooperatives. When

a co-op is especially successful in some activity, News for Farmer Cooperatives may report it or a bulletin may be written so other cooperatives can profit from its experience.

On request, the Farmer Cooperative Service will study a problem and make suggestions for its solution. It may be a question of building another plant, merging two associations, or how to decrease operation costs. For example, the FCS representative would study carefully the cooperative's volume of business and the possible effect of another plant, the need for more facilities, the cost of such an undertaking, and alternative actions. In his report, he would make recommendations to the cooperative's Board of Directors.

An illustration of Government encouragement and assistance to rural cooperatives is a turkey marketing cooperative that originated with a group of 45 turkey "pools" in the Northwestern States. Before the cooperative was organized in 1930, the pools were small, informal community groups formed to market one or two carloads of turkeys each fall. In many cases, County Agents helped organize the pools. Members of the pools killed and dressed turkeys on their own farms and delivered them for sale at a certain point on a specified day. The pools assembled, packed, and sold the turkeys to buyers who had bid for them competitively.

Few pools had adequate capital to conduct their business properly. It was difficult to find an efficient pool manager because the pools were in operation only a short time in the fall, and capable managers were not available on a part-time basis. Usually only a few price bids were made on a pool but the pool manager, because there were no refrigerators in which to hold the turkeys, had to sell regardless of the price.

In 1929, some 45 of the Northwest pools requested the Department of Agriculture to study their businesses and make suggestions for improvement. A member of



Cooperative specialists in the U. S. Department of Agriculture have worked closely with a large turkey marketing cooperative during its 30-year history. Today this cooperative, one of the largest wholesale handlers of turkeys in the world, sells some 150 million pounds of turkeys under its own brand name throughout the United States and abroad.

the Cooperative Division's staff studied the situation and uncovered these facts:

1. Turkeys were an extremely perishable commodity.
2. To obtain a capable manager and carry on a profitable business, the turkey marketing business had to operate for a longer term each year.
3. Best turkey markets were in the large cities on the Eastern Seaboard of the United States.
4. Turkey pools were poorly financed and 60 pools were competing for sales.

5. For better merchandising, the pools should consolidate. A unified sales policy would permit more effective merchandising methods, standardized grading, a single brand name, and more advertising.

6. A central organization could deduct a small part of the proceeds of each turkey sold as a start toward financing the new operation.

After receiving this report, leaders of the pools voted to form a central cooperative marketing organization, which is now a federation with 12 strong member associations operating in 7 States. In 1962, it was one of the largest wholesale handlers of turkeys in the world with an annual volume of some 150 million pounds. With refrigerated rail cars, trucks, and ships, it sells turkeys under its own brand name year-round throughout the entire United States and many foreign markets. And it continues to ask for advice from Department of Agriculture agencies.

Cooperatives Benefit Members and the Community

Farmers use their cooperatives primarily for their own benefits. U. S. cooperatives, however, also benefit farmers who are not members, the community, the general public, and countries around the world.

Members. Members benefit financially from a successful cooperative as well as receive less tangible gains.

They market and merchandise farm products more effectively. A good example of this is the story of grain cooperatives. Farmers formed cooperatives because prices dropped lower at harvest time than at any other period of the year. Since many farmers had to sell at harvest to pay bills and buy seed for the new crop, their income was inadequate. Through cooperatives they built storage elevators so they could hold their crops and sell later in the year for better prices.

Cooperatives also give farmers more bargaining strength. By pooling their crops or livestock, growers

can bargain for a better price. And they can hire trained employees to handle this marketing and bargaining. Through cooperatives, farmers find new markets for their crops. Many cooperatives sell products all over the country under nationally known brands. Some co-ops sell crops abroad. Many cooperatives can, freeze, package, or otherwise process the raw product for the consumer. This gives the farmer a greater share of the consumer's dollar.

Buying supplies in large volume lots usually means a cheaper price because cooperatives pass on to farmers the lower wholesale price. Cooperatives have found that by manufacturing or processing supplies they also save money for members. Farmers also save money when cooperatives get them the type and quality of supplies needed. For example, if a farmer pays for seed



These United States farmers are receiving their patronage checks in their cooperative office. This is added income for these farmers to spend in their own communities.

that will not grow, he has wasted money. Cooperatives strive to provide seed of guaranteed quality.

And, of course, patronage refunds are financial benefits. For whatever is left in the cooperative after business costs are deducted, belongs to the farmers. United States marketing and purchasing cooperatives return to members an estimated quarter of a billion dollars yearly, money farmers would not have received without their cooperatives.

Cooperatives also save farmers money by getting such services as electricity, insurance, and irrigation at lower rates than are available elsewhere.

Farmers get other benefits from their cooperatives that are not as easy to measure as dollars and cents. For one, they find cooperatives help them stay in business as independent family farm operators. As farmers' buying and selling agents, co-ops often mean the difference between failure and success in surviving the ups and downs of an agricultural economy. Small farmers find that cooperatives help them obtain benefits that are usually only available to larger businesses.

Farmers who are active in cooperatives, either as directors or key members, usually become leaders in the rural community. These farmers learn how to speak and conduct meetings, and gain considerable business and knowledge. Cooperatives are democratic businesses that give communities democratic stability.

Other Farmers. Many cooperatives are "measuring sticks" that show the margins of profit and the inefficiencies in other businesses. When this is true, farmers throughout the area benefit. For other businesses in the same community must compete for the farmer's business. Many times cooperatives and their leaders act as spokesmen to protect the interests of all farmers.

The Community. Any added income the cooperative brings to farmers is usually spent right in the home

area with the local businessmen. This is not always true if an owner of another type of business lives far away in another town. Cooperatives provide employment for local people, buy goods and services from the town merchants, and pay taxes that contribute to community improvements.

Many cooperatives have active youth and women's activities, widen horizons, and increase abilities of members' children and wives. One farm woman commented that she owed most of her education to her cooperative. By reading books to help conduct and participate in women's programs and by attending meetings and hearing outstanding speakers she had educated herself far beyond the few years of schooling she had had in her youth.

Cooperatives often help young people learn about cooperatives and thus help broaden their outlooks. U S. cooperatives send 1,000 to 1,200 boys and girls to the yearly meeting of cooperative leaders sponsored by the American Institute of Cooperation. These young people often work hard in contests and other activities during the year to win a trip. From this work and from the experience of meeting people from all over the country at the meeting, they become better citizens and leaders in their communities.

The General Public. As cooperatives help the agricultural segment of the United States economy, this help spreads on to the general public.

Consumers directly benefit in other ways, however —by getting quality products the cooperatives provide in stores across the country, and by the fact that whatever farmers do to hold down the costs of their farming, particularly through supply cooperatives, reflects in the price the consumer eventually pays.



Cooperatives help young people broaden their horizons. One cooperative holds a youth training school where the young people form their own cooperative for the duration of the conference. After electing a board of directors, they are shown here discussing a report on operations.

Other Countries. U. S. cooperatives have a great interest in helping cooperatives of other countries. Hundreds of trainees and representatives of other countries come to this country every year to learn how cooperatives operate.

In turn, many cooperative leaders in the United States have gone to other lands both to help organize cooperatives and to study new cooperative methods.

LESSONS FROM THE PAST

Learning From Mistakes

Early cooperatives had many problems as they emerged from the informal and experimental to more

lasting type of cooperatives. Because they were a new business concept, farmers had to learn from mistakes, often costly ones. Many early cooperatives failed and farmers lost all the money they had invested in them. But out of these experiences came some valuable lessons.

Hasty and Inadequate Planning. 1. Some cooperatives were formed when more study would have shown there was little opportunity for success. Sometimes farmers were already well served. And without a real need for its service a farmer cooperative fails.

2. Some groups moved into action with a poor plan for organization and operation, or without a plan at all.

3. Not enough members and not enough business often brought failure.

Cooperatives soon learned from one another. They began calling on people with experience in the cooperative field to help them get off to a good start. Specialists from land-grant colleges and the U. S. Department of Agriculture often helped avoid costly mistakes.

Inadequate Financing. Many cooperative businesses failed because they started out with too little money. Others ran into a period when they needed more capital. In either case, they found that members must be willing to invest their share and that cooperatives must have a source for borrowing additional capital. Banks for Cooperatives and most other lending agencies now require that members provide a certain percent of the cooperative's capital before making a loan.

Of course, in the early days of cooperative development, cooperatives required much less capital than they do now. But even then, many failed because they started without enough money for a minimum of operations.

Poor Management. Even with the best of planning and financing, any business fails unless it has competent management. In early years, cooperatives often found

it difficult to locate qualified managers or they could not afford to pay the salary needed to attract one. Furthermore, farmers, in their capacity as directors, often discovered that they lacked the business knowledge needed to direct a successful cooperative.

Lack of Member Support. Understanding is the companion to competent management of successful cooperatives. Lack of member support results from lack of understanding. Early-day boosters of cooperatives were sometimes overly enthusiastic. They believed so heartily that a cooperative would be the members' best solution that they sometimes overlooked the fact that perhaps not all the members felt the same. And, if too many members failed to sell their grain or obtain their supplies through their cooperative, the simple fact of not enough business often caused the cooperative to fail.

At any stage of a cooperative's history, lack of member loyalty can cause the business to fail. To overcome this, some U. S. cooperatives started using membership contracts or agreements. Members signing such contracts were legally bound to do business with the cooperative. It was soon found, however, that legal methods alone cannot insure loyalty to a cooperative. This realization led to increased emphasis on member relations and understanding.

Attempts at Commodity Control. Some early cooperative leaders thought these organizations could control commodity prices by controlling a major proportion of a single crop in an important producing area. This idea attracted a number of cooperatives at one time but it never gained much headway. And some cooperatives failed in trying to carry out such ambitious plans.

United States farmers thus learned that their cooperatives cannot do some things that early leaders wished they could. For example, they cannot control production of the major farm commodities. Neither can cooperatives control prices on a nationwide basis. For they operate in the total economy of this country



This meeting of a mutual insurance cooperative's members provide time for the members to ask questions about the company's operations.

and are only one segment of it. They are subject, therefore, to the competitive forces and the general price conditions throughout the nation.

Finding the Keys to Success

Rural cooperatives in the United States have learned from experience that they must have competent managers and employees, capable directors, and well-informed members before they can succeed. Their leaders therefore have worked closely with colleges, extension services, U. S. Department of Agriculture, and cooperative organizations to improve the performance of these three working parts of a cooperative.

Management Training. Directors are considered a part of the management of cooperatives. Therefore, much

of the management training is aimed at both the directors and the manager.

Other Aids. State Councils of Farmer Cooperatives, Farmer Cooperative Service, agricultural colleges, extension services, regional cooperatives, and others sponsor workshops where directors and managers discuss problems, exchange experiences, and obtain information. Representatives from Banks for Cooperatives, Farmer Cooperative Service, and State and national cooperative organizations frequently participate.

In cooperation with the American Institute of Cooperation, FCS also sponsors research and teaching conferences for college professors. Some agricultural colleges give annual short courses on cooperative principles, policies, and problems for directors and managers. Regional cooperatives sponsor management conferences for directors and managers of their local cooperative members.

All the organizations working with cooperatives strive to help managers and directors improve their cooperative business. They do this through publications, special management development sessions, individual advice and counsel and by special studies on specific problems.

Employee Training. After a cooperative becomes larger, the employee is usually the chief contact the member has with the association. Thus most cooperatives try to give their employees the best training possible.

They prepare employee manuals to tell new workers all about their jobs and the cooperative. They print employee publications to inform employees about the business. They conduct on-the-job training. And they set up special schools. For example, one large regional farm supply cooperative holds an annual 6-week course with night sessions on general cooperative history and principles and specific aspects of the cooperative's operations.



Cooperatives often set up schools to train employees. Farmer Cooperative Service and others also hold special bookkeeping schools for employees.

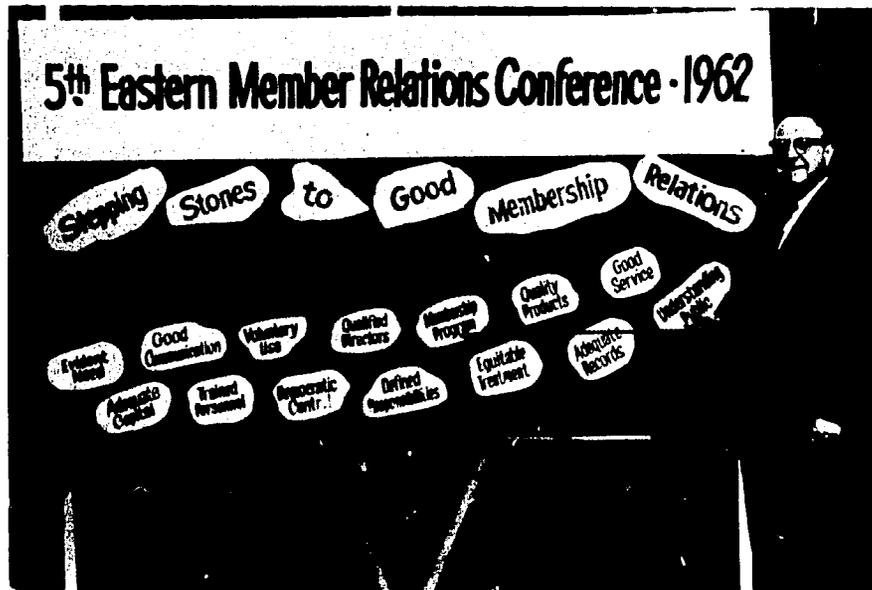
The National Rural Electric Cooperative Association conducts regular employee training conferences for rural electric cooperative staffs. A few agricultural colleges offer correspondence courses. One given by Washington State University covers in 24 lessons historical facts on development of cooperatives, appraisals of successes and failures, and sources of information.

Membership Relations. Since no cooperative can succeed without the loyalty of its members, U. S. cooperatives use many activities to keep members informed and interested.

Most cooperatives issue a periodical publication. These range from a one-page newsletter to newspapers and magazines. They inform members on cooperative activities, discuss cooperative principles and practices and tell ways to improve farming and rural living.

Many cooperatives also use local newspapers and radio and television stations to keep in touch with their members. Cooperatives, of course, use their annual meetings to discuss operations and to present to members a report of the year's business. Here they give members an opportunity to ask questions and find answers to their own problems.

These are some of the ways U. S. cooperatives maintain close contact with their members. They work at it continually. The object is to know the farmer better, to know his opinions and problems. Knowing this, a cooperative is better prepared to serve the farmer's need which, after all, is the primary goal of every rural cooperative.



A member relations expert in a large cooperative here points to the stepping stones for success in good member relations at one of four regional member relations conferences sponsored each year by Farmer Cooperative Service and the American Institute of Cooperation.

WELCOME

to our co-op. It belongs to all of us who use it. We each own a share in the business, and this gives each of us a say in how it's run.

Our shares don't cost as much as stock in a blue chip corporation, but a co-op share is much more important. Each of us has a single vote. Each has a voice in shaping co-op policy, in electing co-op directors. It's our business.

A co-op is set up by many people who want a particular service. It's customer-owned. What's left after meeting the year's expenses, we share as customers. It's a saving that comes back into our pockets.

This is what we believe about our co-op:

- We'll have a bigger business and a better co-op by opening our membership to anyone who can use it.
- To keep customer control, we give each member a single vote, however large his investment.
- We invest in our co-op to get certain services, not to make money. Therefore we pay ourselves limited dividends on our investments.
- Each member shares what the co-op has left each year in proportion to his use of the business.
- Because a bigger co-op means more savings for everyone, we keep telling our friends about it, inviting them to join.
- We like the idea of running a business to get things we need and want, so we keep looking for other ways to cooperate.

Excerpt from a leaflet used by one national cooperative organization in the United States in its suggested educational programs for member cooperatives.