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Nebraska
COOPERATIVE EXTENSION WORK
IN AGRICULTURE AND HOME ECONOMICS
U. of N. Agr. College & U. S. Dept. of Agr. Cooperating
W. H. Brokaw, Director, Lincoln

Extension
Circular
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COOPERATION IN NEBRASKA
By J. F. Lawrence

There is no thrill which comes to us which gives more satisfaction than the thrill of accomplishment. Whether that well-done job is in the household or the market, in the field or bounded by four walls, in business or church, or just in living, its success brings us an emotion comparable with nothing else. We read our romantic stories for a page or two of life as seen through the imagination of some author. We go to the drama to see these same pages from imaginary life reenacted on the stage or screen and our hearts beat faster as we are gradually led to the climax of the tale, the thrill for which we sought.

And yet these imaginary tales are only copies of the things that really happen. Life's actualities cannot help but bring better satisfaction than imaginations. When we read about those real things, the deeds of men and women, rising above the drab everyday jobs of life, and find that through their efforts they have set a new mark, attained a new goal, opened new fields for us to play and work in, we may know that real romance lies, not in the imagination but in the real life of the people. These deeds, when they are completed, and when they have become a part of the lore of the people, are dignified by the name of history.

The cooperative movement, as we read its history, is full of thrills. Just over ninety years ago, twenty-eight poor people happened onto a combination of principles and started a movement which now has a following of over one hundred million families. Starting in one country, it now has become a part of the economy of over forty nations. And with an original investment of only \$140.00, others have caught the spirit until now their investment, while untotaled, may be figured in the billions of dollars.

Let us see if we can search out a few of the factors which have started the growth of this cooperative movement. The combined resources of several people are more effective than those of just one person. This is true of a combination of capital, of selling, of buying, or of pulling on the end of a rope. This factor has been the main one in the development of the corporation as we know it today. The business corporation has grown to the point where only a small proportion of the business of today is conducted through private or individual channels. The cooperative organization is another form of the corporation plan. A cooperative business is a corporate business. There are some points of difference, however, which probably account for the steady growth of cooperation during the past three generations.

To note these differences of which there are only three, let us call one corporate and the other cooperative. Both are based primarily on the issue of shares of stock. These shares represent the capital set-up of the organization. In the corporation the voting is done on the basis of the shares of stock. Each man has as many votes as he has shares of stock. In the corporation, a majority of the shares controls the organization. In the cooperative, the rule is, "One man, one vote." Each member is allowed one vote only, no matter whether he holds one or ten shares of stock. The idea may be expressed this way:--for the corporation, "one share, one vote;" for the cooperative, "one man, one vote."

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The second point brings out another idea. The corporation says that its shares or capital are entitled to all the earnings of the organization. The cooperative says that capital is only a tool, and is entitled only to a fair rental or rate of interest for its use.

The third point is in the distribution of the earnings of the business. The corporation has said that since shares or capital are entitled to the earnings, then these earnings are distributed proportionately to the shares. The cooperative says capital has received its reward when interest is paid and that earnings, or savings should be distributed to the owner patrons of the organization in proportion to the business they have contributed.

These three points of difference may be summed up in these slogans of the cooperators: (1) "One man, one vote"; (2) "A fair rate of interest only to capital"; and, (3) "Patronage Dividends." It is on these three ideas that the cooperative movement has laid its foundation, and to them may be accredited its wonderful growth.

Nebraska has done her full share in this growth during the past forty years. We should know that Nebraska stands fifth among the states in the number of farmers' selling and buying organizations, and during the 1934-35 marketing season was ninth in the total amount of business. During that season 534 associations made a report, and the estimated business was 46 millions of dollars. Five hundred and thirty-four associations mean that there is some sort of a cooperative business in practically every county in the state and that a vast majority of our farmers are within reasonable driving distance from a farmer owned business.

In Nebraska the large part of this forty-six million dollar business was done through elevators, creameries, and filling stations. The history of these associations, beginning with the reasons for their organization and the net result of their accomplishments ought to be in the minds of all who are interested in, or living on farms in Nebraska.

Elevators

The rise of the farmer-owned elevator is one of intense interest. The country elevator is not such an old institution. In the 80's and 90's of the last century, elevators owned by individuals would be built at a railroad station and then when the movement of grain got strong enough another independent would put one up in the same locality. Sometimes there would be as many as three or four grain elevators at one point.

As long as these elevators were individually owned there was plenty of competition so that the producer of grain was getting a very fair price for his produce, but in the late 90's and the early years of this century a new element entered into the situation. Syndicates began to be formed which were well enough capitalized that they would own a long line of elevators. By a long line of elevators is meant that the syndicate would own one elevator at many shipping points along the line of the railroad. As these syndicates became larger, they were able to influence the railroad and when they secured an elevator in a community they tried immediately to dominate the situation. One syndicate would generally work along the track of one particular railroad. With their power and their capital behind them, they were able

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to drive out all the independent operators of elevators or drove out a sufficient number of them so that they could make a working agreement with those which they permitted to stay in the field. These syndicates permitted certain independents to remain in the field because we have evidence of contracts made with these men whereby the line elevator was to make the price for the grain at the loading point and the independent was to offer no more. In this way by 1905 or 1906 a great many of the elevators at country points were in the control of the line elevators and there was practically no competition.

When the farmers recognized that the grain situation had reached the point where the price of grain was established without any idea of competition, and when they were able to see from the terminal price and the cost of transportation, that too wide a margin was being taken, they began to look for some scheme whereby they could more nearly secure a fair price for their grain. In many states and in Nebraska also there was no law whereby a corporation could be set up and where the shareholders would be permitted to follow the cooperative idea of one man, one vote. The law in Nebraska up to 1911 very definitely stated that in any corporation the voting should be done by shares and that each man should have as many votes as he had number of shares. But even with that handicap the farmers set about the organization of associations which would try to solve the price problem and at the same time work as nearly as it could toward the three principles of cooperative endeavor.

The first farmers' elevator had been started in Iowa in 1889. The news of its workings was slow to get to the farming community, but by 1905 the idea was pretty well known among grain farmers in Nebraska. The period from 1905 to 1920 which carried us through the great war was period of growth of the farmers' elevators. With little knowledge of handling grain, with little knowledge of handling a corporation, and with no knowledge at all of the intense effort and courage that would finally be needed to carry their point, they continued to grow until in 1920 their number had reached 396. During that period they found that they were attacked because under the Sherman Anti-Trust law they were conducting their business in such a manner that the courts called it restricting competition. They found that the railroads were unwilling to lease them ground at their stations. They found that when they built on their own ground close to railroad property, the railroads were unwilling to build sidings to their elevators. They then found that in the terminal markets a majority of the brokerage firms were refusing to handle their business. But the farmers were firm in their intention to handle their grain. First they went to the legislature and by statute forced the railroads to let them have sites for building their elevators. Then they went to the legislature and in 1911 secured for cooperative organizations the right of one man, one vote instead of the share vote.

As time went on they found that there were a few commission merchants in the terminals who would handle their business. Gradually each organization got stronger, and as the number of elevators increased their strength was multiplied so that immediately following the war we find them definitely holding their own against the line elevator syndicates. Finally beginning about 1920 these line elevator syndicates began selling their elevators so that as we look over the state of Nebraska today we find that the collecting of grain at the railroad stations throughout Nebraska is so nearly in the hands of farmer-owned business that almost no farmer is completely out of reach of a farmer elevator.

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During the first few years of this farmer elevator movement, the farmers in each community had to solve their own problem with very little outside help. In a few years, farmers' organizations such as the Farmers Union, the Grange, and the Farmers Equity began to give their help towards cooperative organization. Then these elevators tied themselves into a voluntary grain dealers' association so that they were able to act in unison. In the days of independent elevator ownership there was a free play of competition, and margins were reasonable. With the rise of the line elevators, margins increased, and the farmers felt that competition had completely disappeared. This was followed by the farmers' elevator movement and gradually as the farmers' elevators gained power, the margin at the buying points became less so that today there is a very definite competitive buying of grain at all buying points.

This is a story which we all should know. There are people in each community of the state of Nebraska who can tell of this contest for fairness in the purchase of grain. These stories should be told to the younger generation of farmers who do not know the magnificent history of the farmers' elevators and who do not realize what grain buying through the local points might revert to if the farmers' cooperative elevators should drop out of the picture. (See note.)

Creameries

The growth of the farmer owned creamery or butter factory has not been so long nor has it reached the proportions of the elevator movement. It was differently conceived, yet it has come to the place where such organizations make a very considerable portion of the butter that is manufactured in Nebraska. Butter making in a factory was not made possible in a general way until the invention of the cream separator and the discovery of the method of testing the butter-fat content of the cream (Babcock Test). After these two factors were solved, it became possible to carry the cream long distances to the factory, and then to determine the exact amount of butter-fat which the cream contained. While there had been successful factories as early as the period of the Civil War, the big impetus to production and to manufacture came after these inventions. The great successful growth in the cooperative handling of dairy products has come since 1905.

During the 80's and 90's many creameries were set up in the middle west. They were for the most part short-lived, and probably very few of them remain in existence at the present time. Where they were set up in dairy areas, or where the milking of cows could be encouraged, as in Wisconsin and Minnesota, they are still in operation. The same story will apply to Nebraska. In the early day there were many butter factories and cheese factories set up which flourished for a while and then disappeared. The incentive behind the organization of a great many of these institutions was not the recognition by the producers that they were needed, but they were promoted by salesmen for dairy machinery or by professional promoters. The field of operation was not carefully studied, and many of these factories were unfortunately located. After a painful existence some of them quietly passed out of the picture leaving only a bad reputation for cooperative effort behind them.

There are two classes of cooperative creameries. The local creamery which depends almost entirely on the milk production of the immediate locality, and the cooperative centralizer creamery. The centralizer creamery collects its supply of cream from a wide area, and Nebraska has two such organizations which are outstanding. They were promoted and are fostered by general farm organizations, one the Farmers Union and the other the Equity Union, and probably because of this farmer interest in the start they were better located and are continuing successful.

These creameries whether local or centralizer are cooperatively organized, and at the end of the year distribute their patronage dividends. This means that throughout the year they have paid the local competitive price for butter-fat, and then at the end of the year have been able to return operating savings to the producer. A majority of the existing cooperative butter factories have been set up since 1915, but they are doing their share of the butter business of the state. Forty-one creameries report a manufacture of over 25 million pounds of butter during 1935, and that is twenty-eight per cent of the total butter manufactured in Nebraska. In a movement which has shown its important growth within twenty years, farmers are processing over one-fourth of their butter-fat production and making it ready for the consumer's table.

Gas and Oil

We have been considering two of the marketing organizations of our state, so now we will turn to cooperative buying. The first association for the purchase of gasoline and kindred commodities was formed in 1924. In this movement we had to wait until there was a great number of autos and tractors, and the group which opened in 1924 was really a pioneer. The purchase of farm supplies has not been a new thing here in Nebraska for practically every farmers' elevator acts as a buying agent for its members. But when this group opened a filling station just twelve years ago they were charting a new course in cooperative endeavor.

These associations have been almost uniformly successful. Most of them started with a small capital, and by carefully husbanding their resources they have built up properties worth many times their original investment. One cannot give the story of any one of the successful stations without finding another which might have been just a little bit better. In 1931 these organizations had increased to over one hundred. They have been sponsored by all four of the general farm organizations: Farmers Union, Farmers Equity, Grange, and Farm Bureau.

Where the patronage dividend of the marketing association builds up a better price for the farmers' produce, the dividend of the buying association makes his supplies come for less. The dividends of these oil associations probably have exceeded the present value of the assets of these companies. And that means that they have returned in a few years much more than the original investment to their organizers.

It is said that a cooperative does not find its place until there comes an economic need for its organization. This was undoubtedly true in the grain business. With the cooperative gas stations there was not in the beginning the absolute need for them, but in a way they anticipated the need for competition in the industry. The big oil companies were putting in local stations all over the country, and a repetition of the grain experience was in sight. The general success of these buying and distributing associations shows that at least in selected commodities there is a place for the cooperative buying organization.

But where is the thrill, where the romance in the prosey elevator, the whirling churn, or the dripping gasoline pump? It does not lie in the buildings and fixtures as we see them today. It really is evident only if one looks back over a period of a third of a century. The conditions which faced the farmer and his marketing problems at that time must be compared with what they are now. The difference is certainly apparent. The law did not permit a real cooperative organization in Nebraska until 1911. The farmer had to fight for his economic privileges while he was waging a legislative battle to attain his ends. Then he saw the ownership of line elevators gradually change until those elevators came into his own hands. The elevator was the beginning. As the success of this enterprise was brought home to him he

branched slowly into other lines, and will continue to do so. The grain and dairy problems are not all. He finds that he can help himself in many other lines and has made the start.

In the marketing of farm products, the cooperative plan has shown that it is a successful one. To promote it has taken planning, work, discouragement, but finally success and accomplishment. In that lies the real romance.

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Note:--At the meeting someone should review chapters IV and V of the book "Cooperation in Agriculture" by H. C. Filley. Also, someone should talk with the manager or directors of one of the local cooperative associations, and report on its history, organization, development, growth, and accomplishment.

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