

MEMBERSHIP RELATIONS
OF THE
DAIRY COOPERATIVE ASSOCIATION

by

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A THESIS

submitted to

OREGON STATE COLLEGE

in partial fulfillment of
the requirements for the
degree of

MASTER OF SCIENCE

June 1948

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ACKNOWLEDGMENT

The author gratefully acknowledges the guidance and assistance generously contributed by Dr. D. B. DeLoach, professor in charge of major. Further acknowledgment is made of the constructive criticism kindly offered by members of the Agricultural Economics Department and of the cooperation and assistance given by employees and patrons of the Dairy Cooperative Association.

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MEMBERSHIP RELATIONS OF THE DAIRY COOPERATIVE ASSOCIATION

CHAPTER I

INTRODUCTION

Every cooperative must have the support of the majority of its membership if it is to remain in continuous operation. Many associations spend thousands of dollars to improve property, plant, and equipment but spend only a fraction of that amount to improve the relationship between members and the cooperative. This relationship is an intangible thing which cannot be grasped easily by all directors and managers. Yet, it is as important to the proper functioning of a cooperative as good business management.

In 1938 there were 166 marketing and purchasing cooperatives in Oregon which were owned and controlled by 39,540 member-patrons. This represents more than one-half the farmers in Oregon. Cooperatives play a predominant role in the marketing of many Oregon agricultural products; therefore, it is to the interest of the majority of farmers that cooperatives continue to operate efficiently and to return to the farmer the largest portion of the consumers' dollar possible.

Membership Relations Defined

Membership relations are nothing more than the everyday relationship existing between a member and his cooperative. It is a relationship which is peculiar to the cooperative type organization, and arises by virtue of the fact that the customers are also the owners. This relationship, generally speaking, is either satisfactory or unsatisfactory. The member is either in agreement with the way the association is operated, or he is opposed to all or part of the operation policies. What is the reason some members are aligned with the association and others against it? There is no single answer to this question. There are, though, several general reasons why members react as they do. First, if members do not have a knowledge of cooperative principles they cannot fully appreciate cooperative action. Second, members must have knowledge of their own Cooperative if they are to give intelligent support. Third, the degree of interest shown by a member will probably be in direct relationship to the amount of money he has invested in the organization. Fourth, discrimination, on the part of management, of certain members or groups of members will result in adverse criticism and possibly the loss of members.

Member-patrons of a cooperative, in a non-legal interpretation, are the cooperative. The members have

joined together in a common interest to create an organization which will, supposedly, be operated by and for the members. The success or failure of the cooperative is dependent, in the final analysis, entirely upon the members. Directors and manager are legally responsible for the operation of the association; but the members are responsible for electing the directors who, in turn, select the manager. If directors and manager do not perform their jobs in conformance with the member's wish, then it is the member's duty to replace them.

In a study made at Harvard University to determine the main reasons for failures of cooperatives, 20 per cent of the failures were attributed to membership trouble. (1, p.214) This would seem to indicate that many cooperatives have become involved primarily with the job of assembling and processing the produce and have ignored the all important job of developing the loyalty of the member.

The member's obligation to the cooperative does not end with the payment for the produce shipped. In a study of cooperative membership relations, J. W. Jones says this about the member and his relationship to the cooperative:

Members, of course, are interested in the financial returns that result from patronizing a cooperative association, but until the members feel that the organization is their own and take pride in its achievements and further

extension there will be a dangerous weakness in its foundation. So long as a cooperative is financially successful and returning more money to the members than its competitors are to non-members, the management may be indifferent to its membership responsibility. When difficulties arise, however, members may withdraw their support unless their conception of their place in the organization has been developed to such an extent that they are willing to assume their share of responsibility, stand by the association and bring about the changes that are necessary. (2, p.2)

Purpose of the Study

The purpose of this study is to determine specifically the present status of membership relations of the Dairy Cooperative Association. To ascertain this status, a review will be made of the participants in the Cooperative and their legal and economic responsibilities relating thereto. Next, general organization and operating phases of the Association will be studied with the view of determining the factors having a causative effect upon membership relations. Members' opinions regarding their Association will then be presented and discussed. From this foregoing material, an analysis will be made and conclusions drawn.

Survey of Membership

To determine the members' opinions of their Cooperative, it was necessary to survey a representative sample

of the membership. A questionnaire was designed to obtain information regarding the members' attitudes toward, and knowledge and opinion of their Association. (Appendix C) It was decided that a personal interview would afford the best results. The Dairy Cooperative has approximately 3,100 shippers which can be divided further into 700 "A" grade and 2,400 "Factory" producers. The allotted time for this study limited the number of interviews to approximately 200, which is a little more than 6 per cent of the total producers or 11 per cent of total members. The 200 samples were further divided into 50 "A" grade and 150 "Factory" producers, selected with due regard for the geographical distribution of the membership. The survey covered all the Dairy Cooperative Association's territory except the Tillamook and Hood River areas.

The Dairy Cooperative Association was chosen as the subject for this study because: (1) It has a relatively large membership -- well distributed geographically, which would expedite a good cross-section sampling, and (2) proximity of the organization is such that the study could be completed within a reasonable time and at a nominal cost.

CHAPTER II

DUTIES OF PARTICIPANTS IN THE COOPERATIVE

There are three principal participants in a cooperative, namely, members, directors, and manager. Each has definite duties which must be fulfilled if the cooperative is to function satisfactorily. Many of these duties, which are lodged with the members initially, have been delegated to directors. Directors, in turn, have delegated many of their prerogatives to the manager. It is the object of this chapter to discuss the general duties of the respective participants relating to membership relations. These duties have been outlined many times in previous cooperative studies. Legal duties are, of course, defined in the bylaws and marketing contract.

Members' Duties

Member-patrons of a cooperative are normally the sole owners of the organization. They have contributed money to the capital structure and thus have a vested interest in the association. The continued existence of the cooperative, therefore, is dependent upon the support of the members during adverse as well as good times. Members who forsake the cooperative when competitors pay a better price are jeopardizing their investment.

There are certain duties of which members must be aware in order to carry out their function in the cooperative. These rights and obligations are legal and economic in nature. Obligations are defined in the bylaws, articles of association, and membership contract. In addition to these obligations, there are certain ethical duties incurred by the member when he joins the cooperative.

Legal and economic duties. Contracts are usually made between an association and its members in order to assure the cooperative a definite volume of business and also furnish a basis for financing operations if it is necessary to borrow operating capital. "A contract may be defined as a written statement of the rights and duties of the members and of the association relating to the marketing of the products of the producer through the association." (3, p.305)

The most important legal obligations of the member are usually defined in the membership contract which may or may not include the bylaws of the association. Generally, these obligations are: (1) to deliver their product to the association in the manner stated in the contract; (2) to give their continuous support to the organization, except when legally absolved; and (3) to pay damages to the association in case the member violates the contract.

When a member joins a cooperative he automatically

acquires various rights which, in another sense, are also obligations. They are rights which have been accorded him by law, and it is his obligation to exercise these rights when necessary. The courts have generally upheld the members' rights concerning their relationship with the cooperative. Hulburt lists the following rights of members:

....(1) to choose and to remove the directors of an association; (2) to adopt or change its by-laws; (3) to require the officers and directors (agents) to keep within the limits of law, the association's charter, its bylaws, and its marketing contracts; (4) to hold the officers and directors who fail to do so accountable for any losses suffered by members by reason of any departure; (5) to bring a suit to protect the interests of an association when the directors, or a majority of them, are parties to the wrongdoing; (6) to require associations of which they are members to account to them correctly and in adequate detail, and to deal with them without discrimination; (7) to challenge the right of directors or officers to act as such; and (8) to examine the books and property of the association. The last right is subject to such restriction that the request to examine the books and property of the association is made in good faith and with a view to its exercise at a proper time. (4, p.69)

The most important duty of the member is to elect qualified directors. When members select a board of directors they are delegating a large part of their rights to that board; therefore, it is imperative that the directors be qualified men and reflect the wishes of the membership majority.

Directors' Duties

The board of directors and manager constitute the active management of a cooperative. Directors are the agents of the members and, theoretically, represent the majority of the members' wish in management. In the eyes of the law, directors and officers are legally responsible for the actions of the association. Hulburt explains it thusly:

The directors of an association, in directing its affairs, must use care to keep within the powers conferred by its charter and the plan set forth in its bylaws and its marketing contract. Directors and officers of an association are simply agents, and if they exceed their authority or violate the charter, bylaws, or marketing contract of the association legal liability results. (4, p.91)

The legal duties are normally defined by the association's constitution, bylaws, and marketing contract. The Dairy Cooperative Association defines directors' legal duties in the bylaws as follows:

Article VIII

Section 1. The Board of Directors shall manage the business and conduct the affairs of the Association and shall make the necessary rules and regulations not inconsistent with law or with these By-Laws, for the management of the business and the guidance of the officers, employees and agents of the Association.

Section 2. The Board of Directors may employ a general manager, fix his compensation and dismiss him for cause. He shall have charge of the business of the Association under the direction of the Board of Directors.

Section 3. The Board of Directors shall require the Treasurer and all other officers, agents, and employees charged by the Association with responsibility for the custody of any of its funds or property to give bond with sufficient surety for the faithful performance of their official duties, the premium on which bond shall be paid by the Association.

Section 4. The Board of Directors shall meet on the first Saturday of each month at the office of the Association in the City of Portland, Multnomah County, Oregon. Special meeting of the Board shall be held upon call of the president or upon written request of three members of the Board. The times and places of such meetings may be changed by resolution of the Board.

Section 5. The Board of Directors may appoint the president or another member of the Board as an executive officer. He shall perform such duties and receive such daily compensation and travelling expense as the directors may provide by unanimous vote.

Section 6. The Board of Directors, as set forth in marketing contracts, shall have power to release any member from his contract for a specific period without affecting the validity of such contract. (5, p.8)

There are other implied duties not specifically enumerated in the bylaws which are equally important.

They are:

1. Attend all meetings possible.
2. Know thoroughly the duties and responsibilities conferred upon the directors.
3. Reflect, in management policies and actions, the wish of the membership majority.

4. Conduct personal and public activities in a manner which will not bring discredit upon the Association.
5. Resign from office if, for any reason, the director finds it impossible to discharge the responsibilities delegated to him.

One of the most important duties of the director is to keep his ear on the pulse of the business so he will know the condition of the business at all times. The main method for determining the status of the association is through reports. Reports should cover every phase of operations and should be made at scheduled intervals. For the directors' purposes, monthly operating reports would be the most satisfactory with, of course, an annual report at the end of each fiscal year.

Manager's Duties

The manager of an association contributes as much, if not more, than any other single factor toward the success or failure of the cooperative. A recent study by Raymond W. Miller, President of the American Institute of Cooperation, and A. Ladru Jensen, Professor of Corporation Law, University of Utah, of the history of "Failures of Farmer's Cooperatives" shows that approximately 20 per cent of the failures resulted from .."difficulties in the

field of management." Of this 20 per cent, 60 per cent of the failures resulted from "ineffective management." (1, p.214) Other studies made on this subject also show "management troubles" as the major reason for cooperative failures. (3, p.337)

The manager's duties cover a wide range of activities. He must understand the technical aspects of manufacturing the various products; he must know financing, marketing, personnel management, etc. In addition, he must promote and maintain satisfactory relations with the members. The extent of these activities, which the manager supervises directly, depends upon the size of the cooperative and the ability of the manager. In small local associations the manager can, and does, perform most of these functions. As the association grows larger, it is necessary for the manager to delegate more and more of the responsibilities to subordinates so he will have more time to devote to the overall administration. The manager who refuses to delegate this authority is burdening himself needlessly, and the consequence will be ineffective management.

Keeping the membership satisfied with the operation of the association is a major problem in itself. It is not necessary for the manager to get the members' approval for every action he takes, but it is the manager's

duty to administer the business in accordance with the members' wishes. It is also the manager's duty to keep members informed of what the association is doing.

A list of leading questions for managers and directors has been formulated by J. W. Jones in a study of Cooperative membership relations. These questions are in the form of a self-analysis and are designed to reveal the shortcomings or weaknesses to the manager or director respectively. (2, p.13) It would be well for every manager and director to make such a self-analysis periodically. The results are sure to be enlightening no matter how sincere the officer has been.

CHAPTER III

A REVIEW OF THE DAIRY COOPERATIVE ASSOCIATION

It is the intention, in this chapter, to present a brief outline of the Dairy Cooperative Association and the organizational and operational policies which have a bearing upon the problem of membership relations. Before these problems are discussed, it might be well to review briefly the conditions existing in the fluid milk markets in Salem and Portland, Oregon, and Vancouver, Washington, before the Dairy Cooperative Association came into being.

The milk industry in the 1920's was in a very unstable condition. Local governments had no effective regulatory controls over the milk supply which would insure a steady flow of sanitary milk to market. The normal seasonal fluctuations in milk production caused the producers many hardships. Surplus milk was a glut on the market every spring and many producers had to resort to cut-throat competition in order to dispose of their milk. During the winter months, when milk production was low, it was often necessary to divert milk from cheese factories and condenseries to fluid milk channels in order to obtain a sufficient milk supply.

There was considerable price cutting among producer-distributors and a natural result was a high mortality

among this group. Producers generally agreed that something had to be done to improve the conditions. A previous attempt at cooperative action by producers had ended in failure, but many producers still had faith in their ability to establish and operate their own Association. (6, p.10) In December 1929, the Dairy Cooperative Association came into existence with the filing of the articles of incorporation with the State Corporation Commission. It was not until August 1, 1931, that the Association began active operation as the bargaining agent for approximately 1,300 producers located around Portland, Salem, and Vancouver. "Collections were made for all sales and the Association from the beginning paid producers from its own office." (7, p.177) At the present time the Cooperative represents approximately 3,100 producers located in Northwestern Oregon and Southwestern Washington. See Chart I.

Organizational Structure

The structure of a cooperative plays an important part in developing and maintaining member loyalty. There are two general types of marketing cooperatives -- the federated type and the centralized type. The federated cooperative consists of a number of local cooperatives that have joined together to form the larger federation.

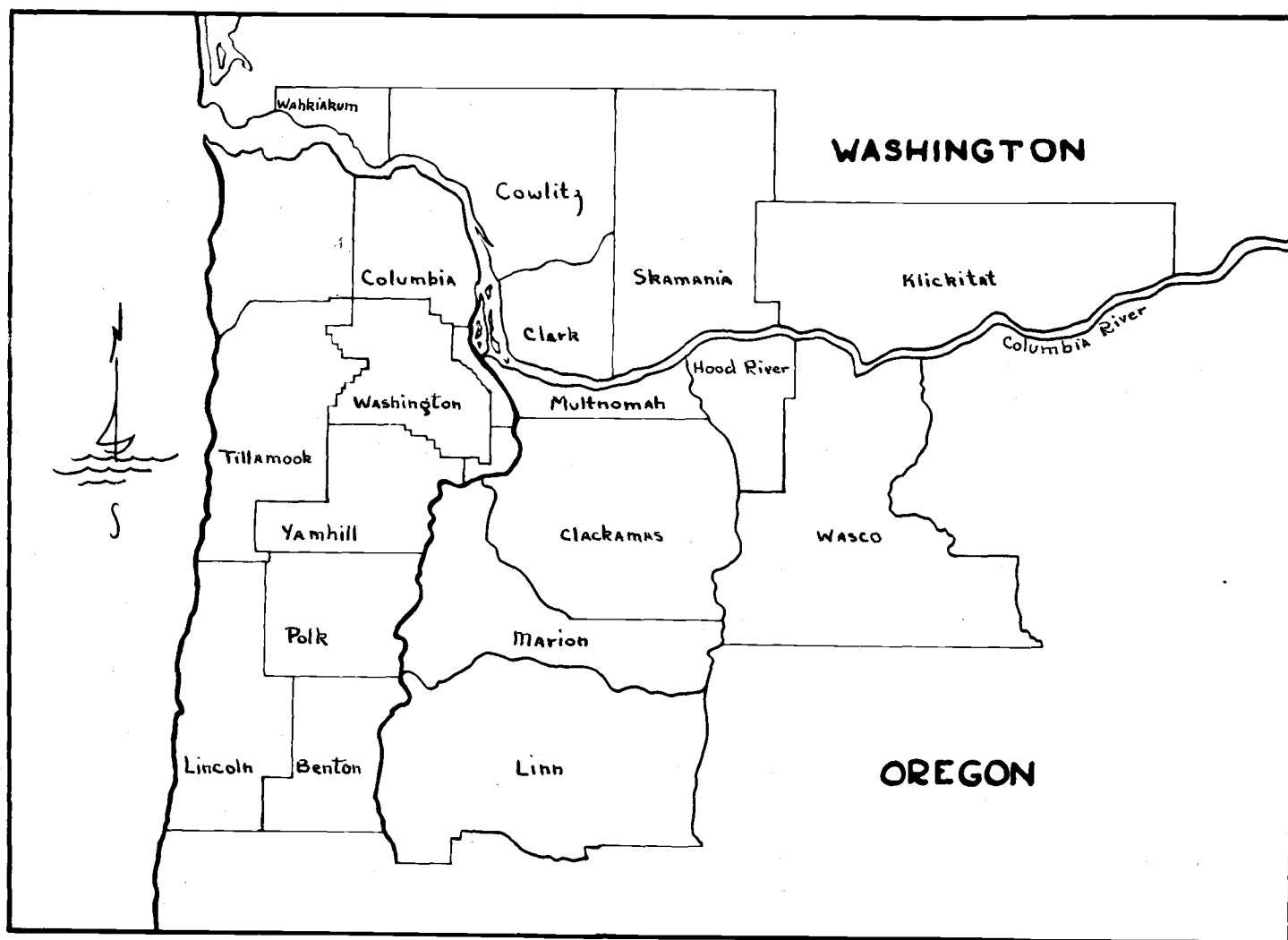


Chart I. Counties supplying milk to Dairy Cooperative Association

Each local association retains some degree of autonomy. The federated type organization grows from the bottom up -- in contra-distinction to the centralized type which grows from the top down. The centralized cooperative is one association. The member holds membership directly in the central organization.

There are inherent problems in both organization types. Briefly, some of these problems are: In the federation (1) there is a lack of uniformity in operating methods, (2) managers of local associations may try to avoid responsibilities, and (3) criticism which belongs with the local may be passed on to the federation. In the central organization (1) members are frequently a long distance from the central office and do not have good contact with the association, (2) it is difficult to develop in the member a sense of loyalty to the cooperative.

The Dairy Cooperative Association conforms to the centralized type organization. Branch receiving plants have been erected in various localities; for example, receiving and processing plants have been erected at Salem, Vancouver, Hillsboro, Oregon City, The Dalles, and Portland. A milk receiving plant was recently constructed at Tillamook.

All operating and organizational policies of the Dairy Cooperative Association originate in the central

office at Portland. The territory of the Association is districted into 7 districts; one director is elected from each district.

As the organization grows larger, the task of maintaining members' interest becomes increasingly difficult. The member of a small cooperative can easily see what he needs to do to support and participate in the activities of his association. It is reasonable to assume that the member will be personally acquainted with the manager and with the majority of the directors. The member of a large cooperative is not in close contact with the manager and directors. Members do not have first-hand information about the activities of the association. Consequently, there is a natural tendency for the member to ignore many of his duties and say, in effect, "let George do it."

Operational Policies

The Dairy Cooperative Association is in a strategic bargaining position in the fluid milk markets of Portland, Oregon and Vancouver, Washington. The Association supplied 59.5 per cent of the total fluid milk for the Portland market in 1946. Their bargaining power has been enhanced by the favorable demand situation, which is a result of the high income level and government supports, and by the ability to control the supply of fluid milk through

diversion to manufacturing processes.

At the present time, operations of the Dairy Cooperative Association include practically every phase of the dairy industry. Their broad scope of activities can be divided into two parts -- fluid milk operations and manufacturing dairy products.

Fluid milk operations. The Association is the bargaining agent for approximately 700 "A" grade producers. The milk produced by these members is marketed through two separate channels. The first channel, which accounts for the largest volume, consists of 16 private milk distributors on the Portland market and 9 outside of Portland. The second channel is the Association's own Mayflower operations. The Association initiated the Mayflower operations with the retail distribution of milk in Vancouver, Washington in 1941. This operation proved advantageous to the producer so the practice was expanded, and today Mayflower dairy products are being distributed in 18 municipalities. (Chart II) Approximately 1,631,000 pounds of butterfat were marketed as fluid milk under the Mayflower brand in 1946.

Manufacturing dairy products. The Association has facilities for manufacturing butter, cheese, whole milk powder, and ice cream mix. Surplus milk from fluid milk operations goes into manufactured dairy products, and, in

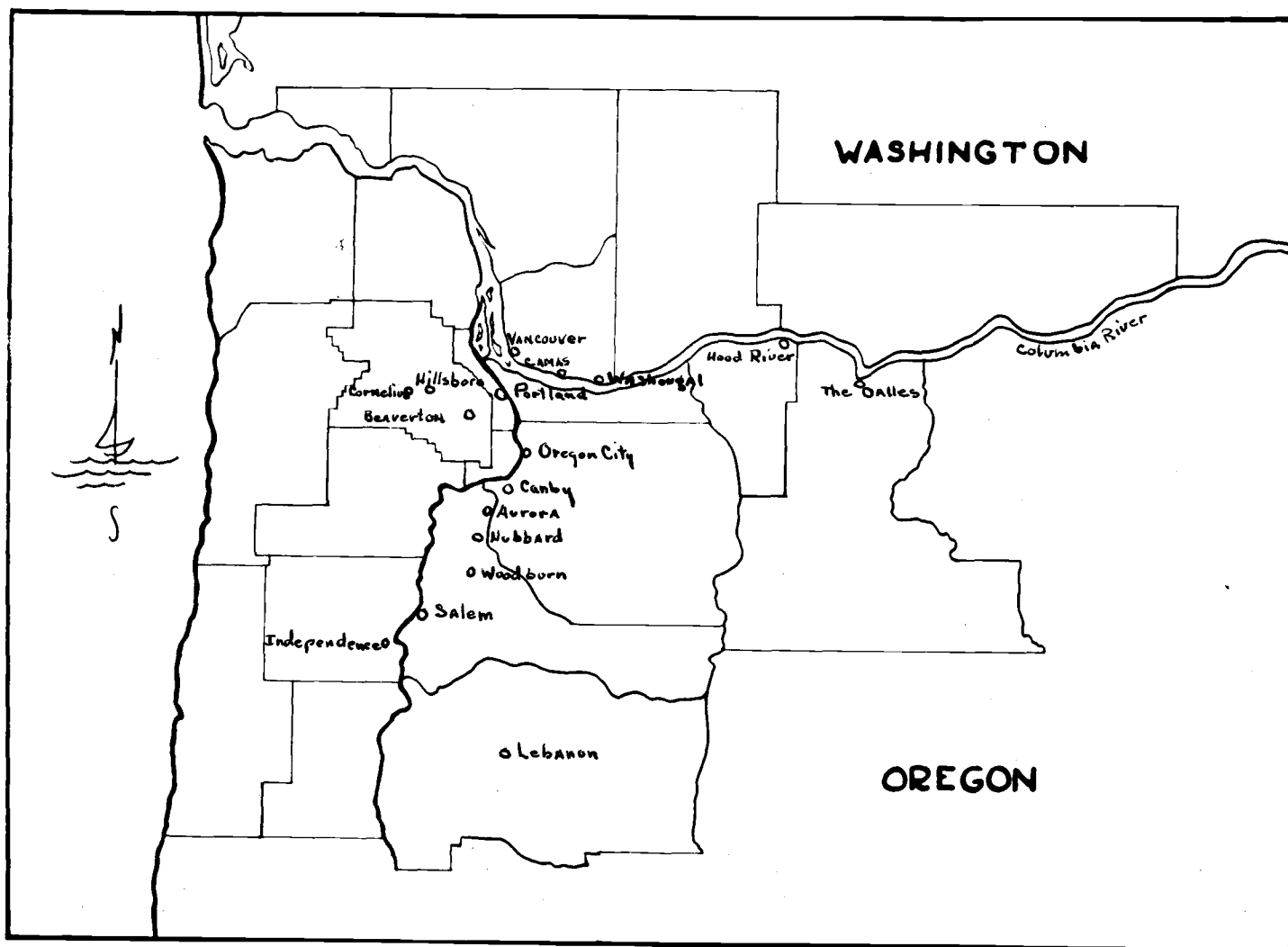


Chart II. Municipalities where Mayflower dairy products are distributed

addition to this, approximately 2,400 producers ship "Factory" milk, which is also used for manufacturing purposes. The Dairy Cooperative Association is in a position to manufacture the dairy product that will bring the best market price and subsequently give the largest returns to the producers.

Surplus dairy products of the Cooperative are marketed through Consolidated Dairy Products Company, a cooperative sales agency. The primary function of Consolidated is to market the products of member cooperatives to the best advantage. This organization is the largest marketing Association of its kind in the Northwest; it controls a large supply of dairy products in Oregon and Washington. The objectives of the Dairy Cooperative Association and Consolidated Dairy Products Company are not altogether compatible. The Dairy Cooperative, to a certain degree, is in competition with Consolidated. Competition between cooperatives normally is not undesirable. Competition between the Dairy Cooperative and Consolidated is, in reality, competition within one organization. Such competition is not to the best interest of all producers because it means there is duplication of effort and increased costs which ultimately mean less returns to the producer.

Membership agreements. The membership of the Dairy

Cooperative Association is comprised of two distinct types of producers; "A" grade and "Factory." The "A" grade member produces milk for the bottle and can trade in accordance with city or state sanitary specifications. Dairying is the primary occupation for most of these members. The other group, "Factory" members, produce milk for manufacturing purposes; most of these members do not consider dairying their primary occupation. These two groups have diverse interests and, yet, they are joined together in the same organization. It is the management's responsibility to satisfy both groups in order to assure harmonious operation of the Association.

It is the policy of the Dairy Cooperative Association to require all "A" grade producers to be members of the Association. All "Factory" milk producers do not have to be members although it is desirable to have the majority belong.

When a producer joins the Dairy Cooperative Association, he signs a marketing contract. This contract outlines the duties of each party with respect to the marketing of the member's product. Significant points in the contract are discussed below.

1. The producer appoints the Association his agent and the Association agrees to act as his agent in the sale and marketing of his product. A contract must possess

mutuality if it is to be enforceable. The fact that the producer appoints the Association his agent and the Association agrees to act as his agent gives this contract mutuality. Courts have generally agreed that marketing contracts possess mutuality. (4, p.115)

2. Duration of the contract is indefinite; it may be cancelled by either party upon 90 days' notice prior to January 1.

3. The producer must deliver his produce to the point designated by the Association; however, the Association may take delivery of the milk or cream at the premises of the member.

4. Inability of the Association to sell or dispose of the member's milk or cream, after due notice has been given, is not considered a breach of contract on the Association's part. In the event that the Cooperative could not handle the milk or cream of the producer, he would be free to dispose of the commodities as he desires, and such action would not constitute a breach of contract by either party.

5. The board of directors may deduct from the proceeds of all sales of milk and cream any percentage which it deems necessary for the successful operation and maintenance of the Association. It is particularly important that the Cooperative does not place a limit upon the

operating expense and the capital which it may accumulate. The amount required for operating expense will not be consistent from year to year; therefore, it must be within the power of the board of directors to increase or decrease the amount withheld for operating expenses and capital investment.

6. In case the producer does not deliver his milk or cream to the Association as provided for in the marketing contract, the producer then agrees to pay 12½ cents per pound butterfat for all milk or cream not delivered. The Association has not invoked this penalty in many cases; the adverse publicity resulting from court action might be more detrimental than the loss of the member.

This marketing contract has been contested in court on several occasions and each time it has been held valid. In the case of Rhoten vs Dairy Cooperative Association, the member sold one-half his herd and then objected when the Association adjusted his basic allotment to coincide with his reduced herd. The Association was upheld because this right was specifically given the Association in the bylaws which are a part of the marketing contract. (4, p.120)

Competitive Status

The market. One of the objectives of most dairy

marketing cooperatives has been to exercise some degree of control over the market price structure. The Dairy Cooperative Association has achieved this position in the Portland fluid milk market by virtue of the fact that they supply approximately 60 per cent of the total fluid milk to that market. The Association indirectly sets the maximum price for fluid milk through their contracts with the private distributors. Under terms of the contract, the Association agrees to supply milk to the distributors at the minimum price set by the Oregon Milk Control Administrator.

In 1941, the manager of the Association made the statement: "It has been the general policy of the Dairy Cooperative Association not to go into the milk distributing business when present distributors work harmoniously with the Association." (7, p.181) The Association had just begun delivering milk in Vancouver, Washington at that time. The Association is now distributing milk in 18 municipalities. (Chart II) This would seem to indicate that the policy stated in 1941 is not applicable to 1947.

The supply. The Dairy Cooperative Association is in competition with at least five other cooperatives for their milk supply. However, there is nothing wrong with fair competition among cooperatives as long as it does not get

to the stage of wasteful duplication and inefficiencies which would do harm to all producers involved. In order to secure members in the areas where other cooperatives are operating, the Dairy Cooperative Association must pay a better price, or develop in the member a keen sense of loyalty to his Association.

Other competitors of the Dairy Cooperative Association consist of small non-cooperative type organizations operating in a localized area and a few large corporations of national scope. These organizations compete primarily for "Factory" milk.

Financing Policies

Patronage refunds have not been declared on milk operations since the Association's beginning. This creates a definite member relations problem because members will compare their Association with other cooperatives in the vicinity that do make regular patronage refunds. The Association must overcome this advantage the other cooperatives have by either paying more for their milk or by developing faith in the "Certificates of Equity" which are issued in lieu of patronage refunds. Refunds have been paid on feed operations -- the feed department is operated separately from the milk operations.

The farmer, as a member of a cooperative, must be

ready to invest some of his money in that organization. Every business organization, whether cooperative or corporate, needs adequate capital in order to exist. The private organization normally obtains its capital by selling stock to private individuals. The cooperative is characterized by the fact that capital is usually furnished by the members who patronize the association.

The Dairy Cooperative Association has used the "revolving fund" method of financing since its beginning in 1931. This method of financing provides for the accumulation of capital through the retention by the Cooperative of a small percentage of the proceeds of all sales. The marketing contract, which is signed by every member, includes this statement about financing:

.....the Association may deduct from the proceeds received from the sale of milk and cream, or other milk products derived therefrom, during the time this contract is in force, such sums as the Board of Directors of the Association in their discretion may deem necessary, convenient or expedient for maintaining the Association; paying its operating expenses; paying its debts and obligations; revolving or retiring its equity certificates; acquiring and maintaining plants and equipment, and other property and facilities necessary or convenient for the marketing of milk, cream and other milk products; processing, manufacturing or preparing the same for market; creating and maintaining reserves for operating capital, contingencies, and for any other proper Association purpose. (8, p.1)

It has been the policy of the Dairy Cooperative Association to make a 5 per cent deduction from the net proceeds of sales. It has not been necessary to go over this amount although the Board of Directors has the authority to do so.

The portion of deductions which is used for "capital corporate purposes" is evidenced by "certificates of equity." (Appendix B) These certificates are issued to each member at the close of the fiscal year, and the amount of each certificate is in proportion to the volume of milk shipped to the Association during the past year. When sufficient capital has been obtained, the Cooperative will begin to revolve the capital by paying off the first certificates issued. In subsequent years the capital will be maintained and revolved by redeeming the oldest certificates each year and issuing new certificates. The Association is not obligated to redeem the certificates at any specific date, and no interest is paid on the retentions.

There is considerable opposition by the members to the issuance of equity certificates. The cause can be attributed largely to the wording of the certificates. It is implicitly stated on the face of the certificates that they are non-interest bearing, can be redeemed only at the discretion of the management, and does not give the holder any vested interest in any properties of the

Association. The ultimate effect is that many members view these certificates as just "pieces of paper," and they would be willing to sell them at large discounts.

Members' equities have increased approximately 5,600 per cent over 1931. Responsibility for this increase can be attributed, in part, to fortuitous circumstances resulting from the war and, in part, to aggressive management policies. Chart III shows the total members' equities and the annual increase since 1931.

The balance sheets for the years 1931, 1941, and 1946 are contained on the following page. The balance sheet of an organization is a good indicator of the success of the organization and also reflects to a certain degree the efficiency of the management. Cooperative accountants have developed some ratios which measure the relative financial soundness of an organization. Past experience has shown that these ratios are reliable, although they are not necessarily infallible, and it is recognized that some adjustment is probably necessary when considering certain types of operations. The following ratios are given by V. S. Alanne as being satisfactory: (1) current assets to current liabilities, 2:1; (2) member equities to total assets, 1:3; and (3) cash on hand and in banks, 20 per cent of the accounts and current notes payable. (9, p.134)

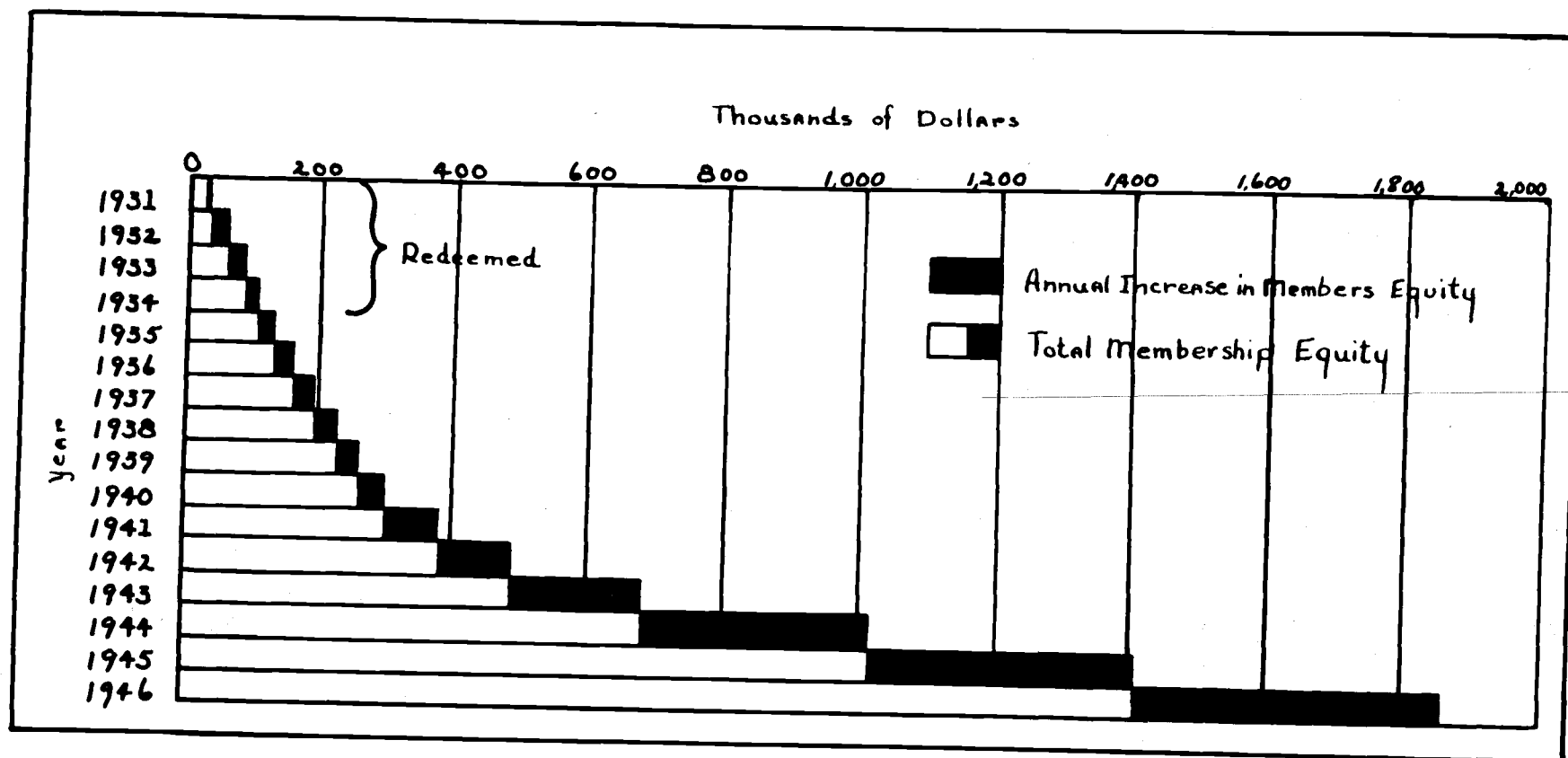


Chart III. Total Membership Equity, Annual Increase, and Certificates Redeemed

DAIRY COOPERATIVE ASSOCIATION
BALANCE SHEET
As of December 31

ASSETS				LIABILITIES			
	1931	1941	1946		1931	1941	1946
Current Assets:				Current Liabilities:			
Cash on Hand & in Banks	\$ 5	\$ 35,405	\$ 521,853	Accounts Payable to Members	\$ 90,681	\$159,830	\$ 461,293
Accounts Receivable Less:				Trade Accounts Payable and			
Reserve	122,769	227,755	513,649	Accrued Expense	17,306	60,259	377,104
Inventories	95	102,123	309,615	Notes Payable	999	45,000	100,000
Total Current Assets	\$122,869	\$365,283	\$1,345,118	1946 Feed Saving for			
				Distribution	-----	-----	45,670
Fixed Assets:				1934 Equities to be cashed			
Real Estate & Building	-----	229,831	1,043,674	in 1947	-----	-----	22,488
Machinery & Equipment	28,601	229,490	1,634,768	Equipment purchase contracts	8,922	-----	-----
Less Reserve for Dep.	-- 1,176	-- 9,025	-- 853,128	Total Current			
TOTAL Fixed Assets	\$ 27,425	\$450,302	\$1,825,334	Liabilities	\$117,908	\$265,089	\$1,008,555
Other Assets:				Other Liabilities:			
Investments	-----	95,549	175,440	Deferred Income	-----	-----	8,348
Prepaid Expense	517	-----	140,294	Mortgage Payable	-----	139,656	571,439
Good Will	-----	10,404	-----	Members' Loans & Dividend			
Deferred Charges	-----	24,134	-----	Certificates	-----	83,909	4,895
Total Other Assets	\$ 517	\$130,087	\$ 315,734	Total Other Liabilities	-----	\$223,565	\$ 584,682
TOTAL ASSETS	\$151,812	\$945,672	\$3,486,187	TOTAL LIABILITIES	\$117,908	\$488,654	\$1,591,237
				MEMBERS' EQUITY			
				Memberships:			
				Reserve for Contingencies	-----	10,816	62,831
				Producers' capital	33,903	446,202	1,832,116
				Total Members' Equity	\$ 33,903	\$451,018	\$1,894,947
				TOTAL LIABILITIES AND			
				MEMBERS' EQUITY	\$151,812	\$945,672	\$3,486,187

TABLE I

Public Policy

How well a cooperative is accepted by the public depends primarily upon the kind of information which has reached the public. There are two sides to every issue and sometimes only one side gets presented to the public. This is comparable to the situation in which the Dairy Cooperative Association was placed during the middle and late thirties. Most of the publicity they had had was about milk strikes, lawsuits, etc., and generally left a bad taste in the mouth of the public. Management, in an effort to correct this situation, started a campaign to make the public "milk conscious." They told the story of the cooperative struggle to civic organizations, newspapers, and individuals who would listen.

Mr. Jerome, the public relations representative for the Association, aptly describes it thusly: "In due time the newspaper editors, seeing that we had nothing to hide, but much to tell, interpreted the issue for us in editorials and in feature articles. We provided the background against which special feature writers took the milk situation apart and put it together again. We took our chances that as this was done, and the merits of our case would just naturally come into the spotlight." (10, p.3)

Active opposition to the Dairy Cooperative Association has developed in recent years in the form of a

consumer's group operating through the "Affiliated Milk Committee." The main complaint of this committee has been that the Association is in a monopolistic position and has used this advantage to dictate the price of milk and limit the supply on certain occasions. There is also opposition from some competitors but it is not organized.

In 1942, the Dairy Cooperative was named the defendant in a grand jury indictment which charged the Cooperative with violation of the anti-trust act because it controlled about 60 per cent of the fluid milk supply on the Portland market. The Association admitted an economic monopoly but claimed exemption from the Sherman Anti-trust Act by virtue of the Clayton and Capper Volstead acts. The case was heard by Judge McCulloch who said: "It may be that the acts of the defendant cooperative, tested without regard to the provisions of the Clayton Act, are monopolistic in character. I have not given serious thought to that question, for it seems to me that since Congress said cooperatives were not to be punished, even though they became monopolistic, it would be ill considered for me to hold to the contrary ..." "For these reasons, a finding of not guilty will be made." (11, p.20)

CHAPTER IV

RESULTS OF INTERVIEWS WITH DAIRY COOPERATIVE ASSOCIATION MEMBERS

In the preceding chapters, the factors relating to membership relations have been reviewed and a background of the Association's organization and operation has been presented. Results of the membership survey will be given in the following chapter and the data will be coordinated with the material presented in Chapters II and III to develop the findings and recommendations. Data have been treated in tabular form to give the reader the clearest conception of the members' answers.

Basis of Members' Interest

The members of the Dairy Cooperative Association own and control the organization. These members have invested their money in the organization -- if it succeeds they will prosper; if it fails they will undoubtedly lose most of their invested money. Hence, it is to the members' financial interest to take an active part in the operation of the business. In view of this economic motive, it was thought that if a member was taking an interest in his Association, he would have some idea of how much capital he had invested in it. But, in the survey of the

membership, in which the members were asked if they knew the amount of their equity in the Association, very few could or would give any information concerning their equity in the Cooperative.

Table II

Replies to the question: What is your equity in the Cooperative?

Answer	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
Don't know	79	64	68
Do know	21	36	32

The Cooperative members were asked in what way they thought their Association was superior to private organizations. Their answers are given in Table III. Only thirty per cent of the members think of the Association as the farmer's own business; however, the larger percentage giving this answer are "A" grade members. This indicates that a large proportion of the members do not think of the Cooperative as their own organization. This is significant because of the fact that the Association is owned by the farmers.

Table III

Replies to the question: In what way is your
Cooperative superior to private organizations?

Answer	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
Don't know	6	8	7
Isn't superior	6	14	12
Gives fair weights and tests	17	20	19
Has large capacity	4	7	6
Is farmer's organi- zation	50	23	30
Furnishes stable market	35	23	26
Pays better price	17	26	24
Is a bargaining agent	31	11	16
Pays dividends	--	8	6
Gives better service	--	5	4
Is a nonprofit or- ganization	--	3	2
Provides competition	--	2	1

Totals are more than 100 per cent for some members gave more than one answer.

"Stable market," "fair weights and tests," and "better price" are three popular reasons why a cooperative is superior to noncooperative type organizations. The answer "stable market" was given most frequently by the members who had been in the dairying business prior to the days of the Dairy Cooperative Association. Many of these members had the experience of hauling their milk from creamery to creamery trying to get them to take it for

practically nothing. They were very serious in saying never again would they produce milk under those conditions.

Those members listing "fair tests and weights" as a virtue of the Cooperative have been subjected, for the most part, to unfair tactics by allegedly unscrupulous noncooperative type organizations. This complaint was peculiar to three specific areas -- Oregon City, Albany, and Rainier.

Those members, expressing the belief that the Cooperative was superior because it paid a better price, were usually comparing the Association with some other enterprise operating in the same vicinity. Many times the noncooperative type organization was paying a higher price for milk than the Association was, but the members stated that this was just a short-time phenomena. Members also stated that, although the private enterprise was paying more for the milk and cream, the shipper would actually lose money because the weights and fat tests would not be accurate.

Approximately 81 per cent of the members listed one or more reasons why a cooperative is superior to noncooperative type organizations. The majority of this 81 per cent think the Cooperative benefits them economically and will undoubtedly give continued support to the cooperative movement as long as it does benefit them. The

remaining 19 per cent is divided between 12 per cent non-believers and 7 per cent who frankly admit they do not know the difference between private and cooperative organizations.

Table IV

Replies to the question: How long have you been a member of the Cooperative?

Years	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
0 - 5	25	73	61
6 - 10	8	17	15
11 - 14	4	5	5
15 - 17	63	5	19

Number of Years Members Have Belonged

Table IV shows that the majority of the "Factory" members questioned have joined the Association within the past five years, while the majority of the "A" grade members have belonged for fifteen or more years. This would seem to indicate that a large proportion of the membership has joined within the past ten years, which has been a relatively prosperous period. These members, generally, will not be cognizant of the marketing conditions existing when the Cooperative was formed. Their loyalty to the Association has not undergone the "acid test."

In 1931, the members of the Dairy Cooperative Association belonged for a very definite reason -- they were interested in bettering their bargaining position and curing some of the evils existing in the marketing procedure. These members were well aware of the need for cooperative action to relieve their plight. Today, fifteen years later, the membership of the Association has undergone considerable changes. It is doubtful if a large percentage of the members are aware of the conditions existing before the Cooperative came into the picture. This does not mean that the current members should necessarily know what the conditions were in 1931, but the significant point is that the conditions which brought the producers together in 1931 do not exist today, and it is fallacious to think that the present members have the same interest in their Association.

Members' Attendance at Meetings

Members of cooperatives normally express their desires and opinions concerning operation of the business at the annual meeting. It is at this meeting that directors are elected, financial statements are read, and general business policies are discussed. If a member does not attend these meetings, he is forfeiting his voice in the management of the Association. A minority group may,

and often does, dictate the policies of the Association merely because the majority will not attend the meetings. It will never be possible to get anywhere near 100 per cent attendance at meetings mainly because of human inertia. Many members have good intentions of attending meetings but they just do not get around to it.

Seventy-two per cent of the members stated that they had not attended any meetings during the past two years. Table V shows members' attendance at the meetings.

Table V

Replies to the question: How many Association meetings have you attended during the past two years?

Answer	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
All	37	11	18
One-half	27	4	10
None	36	85	72

More than half the "A" grade members attended all or one-half the meetings while less than one-fourth of the "Factory" members attended any of the meetings. The total active membership of the Association is approximately 700 "A" grade and 1170 "Factory" members.

No attempt was made in the survey to determine the reasons why members did not attend meetings; nevertheless,

there was much self-criticism for not attending meetings and taking an active part in the functions. The most popular excuse for not attending seemed to be that the member was just a small shipper and he would not have much voice in what was going on. When reminded that he had one vote the same as everybody else regardless of quantity of milk shipped, he would usually answer with some statement to the effect that the large shipper would be able to talk louder and faster than he, and his voice would not be heard.

Another frequent excuse was that the meeting was held too far away. This brings up the question as to the advisability of holding annual meetings in the respective districts. These annual district meetings would attract a larger number of the membership, and would also be fairer to those members most distant from Portland. Attendance at meetings is an important phase of membership relations; therefore, every effort possible should be made to get members to attend.

The annual meeting of the Dairy Cooperative Association is held in Portland on the first Tuesday in February of each year. An all-day program is prepared which includes election of directors, explanation of policies, annual report, a speech on some dairy subject, and entertainment of some form. Approximately 800 persons attended

the last meeting.

Before the war, scheduled monthly meetings, called "unit meetings," were held in each district. These meetings were primarily educational in nature, material presented at the meetings consisted of movies or slides, or lectures on some pertinent dairying subject. These meetings were not held during the war, but they are being revived again. Some unscheduled unit meetings have been held recently with good results. Mr. Poe, head of the field department, has estimated 40 per cent turn out to these meetings.

An annual picnic is held at Jantzen Beach Park on the nearest Sunday to August 6. This gathering is primarily social in nature, but it affords an opportunity for management personnel to discuss operations and policies with members. It is said that more "official" business takes place at this picnic than at any other meeting.

Source of Information

The problem of keeping the members informed in small cooperatives is not too difficult because there is rather close contact between all members and the Association. As the cooperative grows larger, the task of keeping the members fully informed becomes more and more difficult. Members were asked their principal source of information

about the Cooperative. Their answers are classified in Table VI.

Table VI

Replies to the question: What is your principal source of information about your Association?

Information Source	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
Truck driver	17	5	8
Co-op Bulletin	100	100	100
Directors	6	-	2
Other members	6	-	2
Fieldmen	12	4	6
Newspapers	8	4	5
Meetings	17	3	6

Total per cent is more than 100 because some members gave more than one source of information.

All the members say that the Dairy Co-op Bulletin is the principal source of information; "A" grade members get considerable information from other sources, but the "Factory" members rely almost entirely upon the Bulletin.

The official organ of the Association is the Dairy Co-op Bulletin, which is published bi-monthly and sent to every shipper along with his milk check. Information contained in the bulletin includes: prices of butterfat and feed; notices of auctions; sales of equipment, cows, and farms; personal sketches about employees, directors, and members; general information about what the Association

is doing; and general information of state and national scope about the dairy industry and cooperatives in general.

Seventy-two per cent of the members stated that they read every Bulletin thoroughly. Only two per cent declared that they never read any of the publications. Replies are given in Table VII.

Table VII

Replies to the question: Do you always read your Co-op Bulletin?

Answer	"A" per cent	"Factory" per cent	"A" + Factory" per cent
Yes, all the time	75	71	72
Yes, one-half the time	25	26	26
No	--	3	2

Constructive criticisms offered by some of the members follow: Bulletin should be printed on white paper (it is usually printed on colored paper), should contain more personal information, should have more information about feeds and feeding, and it should be published oftener. The majority of the members thought the Bulletin had been very good and contained pertinent information.

Members' Opinion Regarding Quality and Price

Production of quality goods has long been the rule in cooperative organizations. It is through quality control that many cooperatives have been able to get a foothold and maintain their position on major markets. In a survey of Challenge Cream & Butter Association, P. E. Quintus said:

The advantages of the steadfast emphasis on quality are no longer questioned because of the place now enjoyed by Challenge products in the California markets. Whatever the early discouragements may have been, Challenge now looks back with the conviction that 'quality wins in the long run'. (12, p.17)

The Dairy Cooperative Association was a member of Challenge when Quintus made this survey.

Table VIII

Replies to the question: Has the Cooperative benefited you with respect to quality?

Answer	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
Yes	96	55	65
No	4	37	29
Don't know	-	8	6

"A" grade members were nearly unanimous in saying that the Cooperative benefited them with respect to quality, but "Factory" members were not so sure. The fact

that "A" grade members have a fairly strict sanitary code to conform to and need help occasionally from the field department explains why they give credit to the Association. According to the members, ways in which the Association benefited them with respect to quality are: (1) they set a sanitary standard which members had to adhere to; (2) they furnished fieldmen to help them with their problems; and (3) articles were published in the Bulletin explaining how to take care of milk.

Table IX

Replies to the question: Has the Cooperative benefited you with respect to price?

Answer	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
Yes	88	70	74
No	10	23	19
Don't know	2	7	6

Nearly 75 per cent of all the members were of the opinion that the Association benefited them with respect to price. A large number of the "Factory" members believed the Cooperative benefited them by furnishing competition. They said that the noncooperative businesses had to at least meet the Co-op price, and those that paid more than the Co-op were probably making up for it by short weighting and short testing the shippers. "A" grade

members, in the main, thought the Association benefited them by acting as their bargaining agent.

Members' Opinion of Services Rendered by the Association

The praise for services rendered by the Cooperative was almost unanimous among the members. Many of the members said: "The services just couldn't be any better." Even among those members who were dissatisfied with the Association in general, there was a good word for part or all of the services.

Table X

Replies to the question: Has your Association's service been satisfactory in the following respects?

Service	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
<u>Milk Collection</u>			
Yes	99	96	97
No	1	4	3
<u>Delivery of Supplies</u>			
Yes	100	100	100
<u>Method of Pooling Milk</u>			
Yes	100	92	93
No		8	7
<u>Method of Paying for Milk</u>			
Yes	94	92	92
No	6	8	8
<u>Fieldmen's Service</u>			
Yes	94	92	92
No	6	8	8

Main criticisms about the milk collection were: (1) milk was spilled, and (2) the truck came too late. Some "Factory" members expressed dissatisfaction with the method of pooling and paying for milk. This was mainly in reference to the market milk which went into fluid milk channels during certain periods when "A" grade production was not sufficient.

Members' Knowledge of Directors

Inasmuch as members elect directors to operate their business for them, they (the members) should have some conception of whom they have elected; especially the director from their own district. To determine how many members did know their directors, the question was asked: "What directors are you acquainted with?" Replies are shown in Table XI.

Table XI

Replies to the question: What directors
are you acquainted with?

Director	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
None	21	59	49
A	19	10	12
B	29	7	12
C	19	7	10
D	54	13	23
E	46	11	20
F	25	7	11
G	35	12	17

The significant point here is that 49 per cent of the members did not know any of their directors. Too much importance cannot be attached to the number of votes polled by the respective directors because the sampling in each district was not uniform. There was a personal sketch of one of the newly elected directors in the Dairy Co-op Bulletin just prior to making this survey; consequently, this director polled as many recognition votes as three of the older directors.

Table XII

Replies to the question: Do you believe that the directors are generally qualified to fulfill their responsibilities?

Answer	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
Yes	91	55	64.5
No	-	0.5	0.5
Don't know	9	44.5	35

Members' Opinion of Directors

There was only one dissenting member who did not have complete faith in the directors. The majority of the members seemed to have faith in the directors, whether they knew them or not, for the simple reason that they were farmers, and, therefore, should be aware of the farmer's conditions. There were mixed feelings in regard to one

director who is a professional man. Some members thought it was a good idea to have such a man on the board because they would get the advantage of a well educated and experienced man. Other members said he should not be on the board because dairying was not his primary interest.

Table XIII

Replies to the question: Do you think there are enough directors on the Board to give democratic representation to the member-patrons?

Answer	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
Yes	62	20	30
No	4	-	1
Don't know	34	80	69

Members, living in Columbia and Cowlitz counties, reported that there were not enough directors on the board. These members advocated nine directors and, also, advised changing the existing district boundaries. Most of the other members did not feel qualified to answer this question.

Indications are that a large number of the members would like to see a limit to the number of terms a director serves. Two terms were advocated most frequently. Reasons given for limiting the number of terms were:

(1) there are plenty of capable men who can fill the job,

(2) if a director stays on the board indefinitely he is liable to involuntarily think of the Association as his own business, and (3) old directors are liable to get set in their ways.

Table XIV

Replies to the question: Should there be a limit to the number of years a director serves on the board?

Answer	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
Yes	25	38	35
No	69	39	46
Don't know	6	23	19

The majority of the members did not think there should be any limit to the number of years a director serves. The main reason given by this group was: "As long as the director is doing a good job he should be left in -- you know what he can do, but you don't know what a new director can do."

The average number of years directors have served on the directorate is 5.85 years. Two directors were elected in 1947.

Members' Knowledge of Cooperative Principles

It was originally planned in the survey to ask members what the main characteristics of cooperatives were.

During the initial questioning, however, it was found difficult, and sometimes embarrassing, for the member to answer the question, so it was changed to read: "Do you think your Cooperative conforms to the cooperative principles?" The answers to this question and the question: "In what way is your Cooperative superior to private organizations?" give a fairly good indication of how many members actually are aware of the principles of cooperation.

Table XV

Replies to the question: Do you think your Cooperative conforms to the cooperative principles?

Answer	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
Yes	84	72	75
No	8	10	9
Don't know	8	18	16

In Table III you will see that 7 per cent of the members did not know and 12 per cent of the members said that the Cooperative was not superior to noncooperative type organizations. In Table XV there are 16 per cent who did not know and 9 per cent who say the Cooperative does not conform to the cooperative principles. An estimate of 25 per cent, who did not understand the principles of

cooperation, would probably be conservative. Many members who answered "yes" were merely guessing. In connection with this question, some of the members offered the following criticisms: (1) the Cooperative is being run in the interest of the "A" grade members, (2) the Association is expanding too much, and (3) the Cooperative is becoming a monopoly.

Members' Opinion of Management Policies

Members frequently think of management as just the manager and his main assistants. This, of course, is not true as management is comprised of the board of directors and the manager and his principal assistants. The activities and responsibilities of directors and manager must be carefully coordinated if successful management is to be the result.

Table XVI

Replies to the question: Do management policies conform to the best interest of the producers?

Answer	"A" per cent	"Factory" per cent	"A" + "Factory" per cent
Yes	94	79	83
No	4	11	9
Don't know	2	10	8

Too many "Factory" members do not think that management policies conform to the best interest of the producer. Nine members expressed the opinion that the manager was operating the Cooperative for his own interest. One member stated that the manager got paid a certain per cent for each pound of butterfat marketed through the Association. This indicates a lack of knowledge about operating policies of the Association.

CHAPTER V

SUMMARY AND CONCLUSIONS

The essential facts disclosed by this study follow:

1. The economic benefits accruing to the member are the major consideration in joining a Cooperative.
2. Members generally do not understand the organization of the Association.
3. Members generally do not understand the purpose of the Association.
4. Members' knowledge of directors and their relationship to the Association is limited.
5. Members express considerable opposition to the issuance of Certificates of Equity in lieu of patronage refunds.
6. The Association has expanded considerably in recent years but has not added any more directors or districts.
7. "Factory" milk producers, who account for nearly two-thirds of the total membership, do not have a single "Factory" member on the directorate.
8. All "A" grade shippers must sign marketing contracts with the Association; all "Factory" milk shippers are not required to sign contracts.

9. The Dairy Co-op Bulletin is the principal source of information about the Association.
10. The truck driver can be a good contact with the members; he must have accurate information.
11. Services performed by the Association have been very good.

The conclusions that follow are based on the foregoing facts.

Membership relations of the Dairy Cooperative Association are not entirely satisfactory. It appears that the Association conforms more to the theory of cooperation for the member rather than cooperation by the member. In other words, there is not enough active participation by all members. Not all members are in accord with management's policies and actions. The Association membership is comprised of two different types of producers whose interests are divergent; it is understandable that reconciliation of the two groups is difficult. The "A" grade member has the largest financial interest in the Cooperative and, consequently, takes a more active part in the operation. Also, all directors are "A" grade producers and it is only natural that their primary interest lies with the "A" grade rather than "Factory" member.

A large proportion of the current membership have joined the Cooperative within the past five years. Most

of these members have joined purely for economic reasons. Consequently, their loyalty is based on a financial motive rather than on cooperative ideology. There is no argument to the statement that cooperatives should benefit their members economically; however, the term 'cooperative' implies more than economic benefits. It means that each member has a responsibility to help maintain the Association and keep it a "going concern" during bad times as well as good. This involves the duties which were discussed earlier in this study.

To be a good cooperator, the member must have the feeling that he is part owner of the Association; he cannot have this feeling when he does not know or understand the scope of the organization and its operational policies. This is the predicament which characterizes many of the Association's members. They have little conception of the total organization other than it is big. A good deal of the information they get, concerning organizational and operational policies, is hearsay. And, like most hearsay, it is inaccurate or does not tell the complete story. Therefore, the Cooperative should make every effort to see that members are informed about: (1) organizational structure, (2) scope of activities, (3) directors and their duties, and (4) pertinent operational policies. Members should also be kept fully informed with

all the facts -- good and bad alike. It is a poor policy to give members the good news only and let them get the bad news by rumor. Telling the members once or twice about their Association is not sufficient. The information must be reiterated over and over again with, of course, changes in the form of presentation.

Because most members do judge their Association by the economic benefits accruing to them, it would seem feasible to issue patronage refunds occasionally; even token payments would have a good psychological effect upon members in general. In any event, members should be told in plain language what the "Certificates of Equity" are for and how they are intended to benefit them eventually. The present wording on the certificates, although it may be necessary, is not conducive to promoting a feeling of ownership by the member.

There is no provision in the Association's bylaws as to the kind of milk a member must produce in order to hold office as a director. However, to have democratic administration, "Factory" milk shippers should be represented on the directorate. Also, some provision for rotating directors will prevent unfortunate situations from arising and will prevent control from being lodged with a minority group.

Special attention should be given to the make-up of

the Dairy Co-op Bulletin inasmuch as it is the primary source of information for the majority of the members. Propaganda, as such, should be avoided, but educational articles, etc., which lead the member to cooperation, should be emphasized.

The efficient services performed by the Association do much to promote good membership relations. Every effort should be made to maintain and improve the services.

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DAIRY COOPERATIVE ASSOCIATION

MARKETING CONTRACT

THIS AGREEMENT, Made and entered into this.....day of.....19....., by and

betweenof.....County, State of.....hereinafter called the Producer, and DAIRY COOPERATIVE ASSOCIATION, a corporation organized under the Co-operative Association Laws of the State of Oregon, with its principal place of business in the City of Portland, State of Oregon, hereinafter called the Association, Witnesseth.

That for and in consideration of the expense incurred or to be incurred by the Association in providing means and facilities for marketing, including the expense of locating and developing markets and providing information and services to facilitate the marketing of the Producers' products, and in further consideration of the mutual obligations and promises of the respective parties hereto, it is hereby agreed as follows:

1. The Producer, a member of the Association, agrees to abide by the by-laws and articles of association of the Association now in force, which by-laws and articles of association are hereby made a part of this contract. The Producer also agrees to abide by any and all changes in or amendments to said by-laws and articles of incorporation which may be hereafter made or adopted in lawful manner by the Association, and all such changes and amendments and all such by-laws and articles of incorporation, as changed and amended, shall be and become a part of this contract immediately upon the adoption thereof. In becoming a member and executing this agreement the Producer is helping to carry out the express aims and purposes of the Association for cooperative marketing, for the elimination of waste in marketing, and for stabilizing the market in the interest of the Producer and the public through this and generally similar obligations undertaken by other producers.

2. The Producer appoints said association his agent, and the Association hereby agrees to act as such for the purpose of marketing all the milk and cream produced for sale by the Producer or for him, whether as landlord or tenant, or otherwise, in the territory served by the Association (except such amount as the Producer may require for personal use), and the Producer agrees to deliver all milk or cream, except as otherwise provided, to the Association, its Agents, or direct to such milk plant, condensory, creamery, cheese factory or other manufacturing or buying agency as the Association may direct, in such quantities and condition and at such time as the Association may direct, during the year 1930 and every year thereafter continually, except as hereinafter provided.

3. It is agreed that the contracts signed prior to the time the Association begins operating shall be binding when, as, and if it is determined by the Board of Directors of the Association that in their judgment a sufficient volume of milk is under contract to assure efficient and economical operation. Upon receipt of notice from the Association to the Producer that the Association has obtained a sufficient number of contracts to begin operating, the contract is in full force and effect in all its terms and the producer agrees to begin delivery upon notice to do so. It is further agreed that either party may cancel this contract on the 1st day of January of any year beginning after 1933 by giving notice in writing to that effect to the other party at least 90 days prior to said date. Upon such notice, the Producer shall, prior to said date, pay any indebtedness then due from him to the Association and deliver his copy of said contract to the Association, such cancellation shall not affect any incomplete sales or transactions between the parties hereto nor release either from any indebtedness then unpaid or hereafter accruing under this contract. It is expressly agreed that this contract shall be binding upon the legal representatives of the Producer.

4. The Producer agrees to deliver his milk and cream pure and unadulterated and in condition suitable for sale in the City of Portland, or other markets designated by the Association, to such depot, shipping station, milk plants, creameries, cheese factories or other dairy marketing and distributing plants or buyers of milk and dairy products, as may be designated by the Association or if the Association shall be unable to sell or otherwise dispose of said milk and cream during any portion of the contract period said Producer shall be notified and in such an emergency it shall be optional to the Producer to manufacture said milk or cream into milk products at home or otherwise dispose of said milk and cream, but the inability of the Association to sell or dispose of said milk and cream, when notice thereof is given, shall in no event be considered a breach of or failure to perform this contract.

5. The Association agrees, as agent for the Producer, to sell and dispose of the Producer's milk and cream to the best advantage possible under market conditions, and to remit the proceeds of sale thereof to the Producer, less authorized deductions, or the Association at its option may authorize the purchaser of the milk and cream to pay direct to the Producer the price at which the milk and cream is bought, except the deductions authorized to be paid the Association. It is agreed that the Association may sell the milk and cream in the City of Portland or elsewhere, in such form as the Association deems best, including the right to manufacture or have the same manufactured into any milk product and sold to or through any agency.

6. It is expressly understood and agreed that a uniform base price shall be paid the Producers for milk of the same grade, test, and other quality factors, all milk or cream of the same quality being sold at the same price during a given period of time, or the returns from sales being averaged so that producers receive the same price for the same quality, provided that in working out of any surplus problem the Association shall make such adjustments as it deems fair and equitable by following methods that have been developed in successful milk marketing associations.

7. The Producer agrees that, in case he is offered a price for his milk or cream or the products thereof in excess of the price then obtainable by the Association, he will turn over such offer to the Association to be filled from products promised to the Association.

8. The Association may refuse to accept delivery of any milk or cream, or refuse to act as agent in the sale of any milk or cream, that is unfit for consumption or that fails to meet the requirements of the Association in quality or condition, or that does not conform to the requirements or standards in effect in the markets where the Association delivers or authorizes delivery. Such refusal shall not in any way operate to terminate the contract with the Producer and the refusal to handle such milk or cream shall be withdrawn when the Producer is again delivering milk and cream that conforms to the standards adopted or approved by the Association.

9. The Association may take delivery of the milk and cream at the premises of the Producer and transport the same to the depot of the Association or direct to the plant of the buyer, but unless the Association shall so elect in writing to transport said products, delivery shall be made by the Producer as directed by the Association. Any service performed by the Association for the Producer which he would ordinarily perform at his own expense, except selling, and any expense incurred by the Association in manufacturing or otherwise handling milk or milk products in addition to acting as a sales agency for fluid milk and cream, shall be considered a marketing expense chargeable to the Producer.

10. The Association shall pay to the Producer, or authorize the buyer to whom it sells to pay direct to the Producer, the net price received by it for milk and cream, or other milk products, provided that the Association may deduct from the proceeds received from the sale of milk and cream, or other milk products derived therefrom, during the time this contract is in force, such sums as the Board of Directors of the Association in their discretion may deem necessary, convenient or expedient for maintaining the Association; paying its operating expenses; paying its debts and obligations; revolving or retiring its equity certificates; acquiring and maintaining plants and equipment, and other property and facilities necessary or convenient for the marketing of milk, cream, and other milk products; processing, manufacturing or preparing the same for market; creating and maintaining reserves for operating capital, contingencies, and for any other proper Association purpose.

11. The Producer further agrees that the Association shall have power without limitation, except as provided by the by-laws, to borrow money in its name and on its own account for the purpose of making advances to members, or for other proper Association purposes on the dairy products delivered to it, or on any accounts for the sale thereof, or on drafts, warehouse receipts, bills of exchange, notes, acceptances, or other commercial papers obtained or drawn in connection with the marketing of said dairy products; and pledge in its name and on its own account such dairy products or receipts, accounts, drafts, or other commercial papers as collateral therefor.

12. If this Agreement is signed by one or more members of a partnership, it shall apply to the partnership, and to each of the partners individually in the event of the dissolution or termination of the partnership.

13. The Producer agrees to give written notice immediately to the Association upon any sale or lease of his farm, or herd, or at any time he gives up the production or control of dairy products. His failure to give such notice shall make the Producer liable to the Association for liquidated damages, if his transferee or mortgagee shall fail to deliver said dairy products to the Association, provided, however, that any transfer of the farm or herd, whether by sale, gift, or lease to any relative of any degree or to any person in trust, during the term hereof, shall be deemed to have been made subject to and conditional upon compliance with all of the terms hereof by such transferee, and the Producer hereby agrees to be responsible for such compliance by such transferee.

14. The parties hereto, fully understanding and admitting that it will be impractical and extremely difficult to fix the actual damage to the Association which will result in the event of the Producer's neglect, failure or refusal to deliver to the Association or its order the milk covered by this contract, the Producer will pay to the Association the sum of 12½ cents per pound butterfat for all such milk or milk products undelivered to the Association, as liquidated damages for such breach, all parties agreeing that this contract is dependent for its true value upon the adherence of each and all parties to each and all generally similar contracts, but the failure of the Producer to comply with this agreement or the release of the Producer shall have no effect upon other similar agreements. In case suit or action is brought by the Association for any violations of this contract, the Producer agrees to pay, in addition to all court costs, all expenses arising out of or caused by the litigation, and a reasonable attorney's fees to be fixed by the Court, and any judgment or decree obtained against the Producer shall include such items.

15. It is agreed that changes may be made in succeeding marketing contracts between Producers and the Association without affecting the terms, conditions, and enforcement of this contract, provided that the Producer signing this contract shall be given the opportunity to obtain the benefits of such changes as may be made in succeeding contracts.

16. The parties hereto covenant that there are no oral or other conditions, promises, covenants, representations or inducements in addition to or at variance with any of the terms hereof, except as noted in the following section, and that this Agreement represents the voluntary and clear understanding of both parties, fully and completely.

17. In accordance with this contract it is recognized that the Producer in some instances, has made previous contracts, mortgages, or agreements that affect his right to deliver products to the Association and, therefore, delivery of such products under this

marketing agreement is exempted to the extent herein noted.....

In Witness Whereof, the said parties have executed this contract in duplicate.

.....
 Producer.

 Address.
 DAIRY COOPERATIVE ASSOCIATION,
 By
 President.
 By
 Secretary.

APPENDIX A

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APPENDIX B

No. _____

1946
SERIES

Dairy Cooperative Association, Portland, Oregon

DAIRY COOPERATIVE ASSOCIATION,
hereinafter called the "Association," hereby certifies
to the hereon named, hereinafter called the "holder,"
that:

(1) During the year 1946, the holder marketed dairy products through the Association, and that during said period there were marketed through the Association, by other producers, dairy products subject to the deductions as authorized by the rules and practices of the Association, its by-laws, and marketing agreements.

(2) That during said period deductions made by the Association from the proceeds of the dairy products marketed by producers through the Association, including the holder, were \$662,615.94, part of which was used in paying operating expenses, including reserves for depreciation, commercial losses, etc.

(3) That the balance of deductions, not used for the purposes stated in the preceding paragraph (2), were used for capital corporate purposes, including among other things, maintaining the Association, paying its debts and obligations, revolving or retiring its equity certificates, acquiring and maintaining plants, equipment, and other properties and facilities necessary to, or convenient for, the marketing of milk, cream, and other milk products, processing, manufacturing, and preparing the same for market, creating and maintaining reserves for working capital, contingencies, and for other proper corporate purposes, as determined by the Board of Directors in its discretion.

(4) That during said period, out of deductions made by the Association from the proceeds of the dairy products marketed through the Association and any membership fees paid during said period by the holder, \$..... were used and expended for the purposes enumerated in the preceding paragraph (3).

(5) This certificate is issued by the Association and accepted by the holder subject to the following terms and conditions:
(a) That it is not a promise, contract, or liability of the Association to pay the holder any sum of money, it does not bear interest, does not vest in the holder any lien upon, or right, title, or interest in or to any of the properties, facilities, or assets of the Association now owned, or hereafter acquired, by it; and

(b) That it may be called, redeemed, or retired by the Association only when and in such manner as may be hereafter provided by lawful action taken by the Association.

Executed this..... day of....., 1947.

The feed operations, which began in 1933, are excluded from the above as they comprise a separate department.

DAIRY COOPERATIVE ASSOCIATION

By.....
President.

By.....
Secretary.

APPENDIX C

OREGON STATE COLLEGE

Membership Relations of the Dairy Cooperative Association
Questionnaire

Name _____ Shipping No. _____ Route No. _____

Address _____

A Grade Shipper, lbs BF _____

Factory Shipper, lbs BF _____

1. How long have you been a member of the Co-operative?

2. What is your equity in the Co-operative? _____
3. How many co-operative meetings have you attended during the past two years? Annual meeting _____
 Special meetings _____ Annual picnic _____
4. Do you always read your Co-op Bulletin? _____
 What is your opinion of this Bulletin? _____
 What information, not already included in the Co-op Bulletin, would be of interest to you? _____
5. Do you feel the Dairy Co-operative Association has benefited you materially with respect to:
 - a. Quality of product? _____
 - b. Price received for your milk? _____
6. Has your Association's service been satisfactory in the following respects?
 - a. Milk collection _____
 - b. Delivery of supplies _____
 - c. Method of pooling milk _____
 - d. Method of paying for milk _____
 - e. Fieldmen's service _____

7. In what respects do you think your Co-operative Association is superior to private organizations?

8. Do you think your Co-operative conforms to the co-operative principles? _____
9. What is your principal source of information about your association?
a. Truck driver
b. Co-op Bulletin
c. Directors
d. Fieldmen
e. Other members
f. Newspapers
g. Meetings (annual and special)
10. What directors are you acquainted with?
Omar Spencer Arthur Ireland
Anton Malar Grant Johnson
Ray Hobson David Scherrable
Henry Hagg
11. Do you believe that the directors are generally qualified to fulfill their responsibilities? _____
12. Do you think there are enough directors on the Board to give democratic representation to the member patrons? _____ If not, how many directors do you think there should be? _____
13. Should there be a limit to the number of years a director serves on the Board? _____. If you advocate a limit, how long should it be? _____
14. Do you think, generally, that management policies conform closely to the best interest of producers? _____ If not, what suggestions do you have for improvement? _____

