

T H E S I S

on

THE OREGON GROWERS COOPERATIVE ASSOCIATION
WITH AN ANALYSIS OF THE CAUSES FOR ITS FAILURE

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PART I

PRELIMINARY SURVEY

I. Occasion for the Study and Method of Treatment

This study was an outgrowth of a primal inquiry into the causes underlying the successes and failures of cooperation in Oregon. The breadth of the subject necessitated some limitations, hence the field was narrowed to cooperatives in marketing. The time available was not sufficient for covering the cases of all cooperatives generally and it was felt that, under the circumstances, fully as much would be accomplished in a definite way by studying at first hand the Oregon Growers Cooperative Association, which was a particular instance of cooperative failure.

There are two aspects in which the study is of interest at this particular time; the first of these is explained by the occasion of its recent command of our attention, as well as the drama of high expectations and great initial enthusiasm so decisively crushed. It is one of a number of those war time creations that did not last. But there is another more important reason why there is profit in reviewing the affairs of this small section of past history, and that is explained by the desperate plight in which the growers of some products find themselves. In

consequence they are asking what can be done to better their circumstances. A recent study by the author under the caption, "The Relation Between Northwest Prune Prices and Production"¹ reveals the fact that prune growers are at present working at a great disadvantage for two reasons:

(1) The general law that increases of production are not finding corresponding opportunities for profitable marketing. Production is increasing faster than consumption.

(2) The purchasing power of prune growers is lower than that of many other types of farmers and, in fact, prune growers are in almost as disastrous a situation as they were during the deflation period in 1920 following the War. The trend of production is upward but the trend of real returns is downward.

As a result we find progressive fruit growers in a spirit of unrest and attempting to find a solution for their problem. Their experiences have not been such that they are willing to abandon cooperation, which they still consider one device of practical assistance.² Hence the timeliness of this particular study. If something more than opinion can be contributed toward the interpre-

¹ Prepared in pursuance of a study of a marketing problem, May 3, 1927.

² See Burrier, Arnold Stewart; Thesis for Master's Degree at the Oregon Agricultural College on "Some Factors in the Organization of the Successful Prune Farm in Oregon",

tation of events connected with the bearing that this particular organization has on the question of cooperative marketing in general, the treatise will have accomplished its purpose.

The underlying method of procedure is to draw conclusions from an analysis of historical development, compare the particular events in the life of the Oregon Growers with the experiences of other cooperative situations, and to apply the best authority obtainable in interpretation of facts presented. It is a descriptive study involving matters of organization, of methods of operation and management, and of achievements in marketing. Something concerning the occasion which brought the Association into being, and the position it held in the whole field of cooperative activity, must necessarily be included in order to complete the study.

Material forming the basis of the thesis was obtained in several ways. The most important source was the Minutes of the different functioning bodies of the organization, of which a thorough review was made. There were four of these books of record, - those of the Oregon

June 2, 1925.

Marketing organization regarded as only one of methods for relief of growers, p. 1; remedy here suggested being better organization of the individual prune farm, p. 8.

Growers Cooperative Association, The Oregon Growers Packing Corporation, and one for each of their respective Executive Committees. Interviews were held with former officers of the undertaking and with individuals once connected with the organization, as well as with those whose interests led them into contacts with its activities. In addition, some printed matter bearing specifically on the Oregon Growers was found helpful.

2. Limitations of the Thesis.

There are admittedly deficiencies and limitations in the treatise. Time alone prevented a more thorough canvass of available sources of information, as well as analysis to the full extent of much of the material that was gathered. A most interesting study could be made by collecting the opinions of the different individuals connected with the Oregon Growers Cooperative at one time or another and classifying these opinions. Evidently everyone has a different idea but there are all gradations of feeling; there are those who were singed, those who were scorched, and those who were burned. The argument may appear to be now in favor of one, now another of these personal phases of the enterprise, the problem here being to stay within the field of working principles of cooperative organization. Still another limitation was the lack of opportunity to travel more widely and make first hand

contacts with places and individuals once associated with the organization. And again it was a source of great regret that more of the records and statistics of the Association were not available in such a manner that they could be compiled in form to be of service in furnishing more factual material. Such a procedure would have necessitated three things: (1) more time for study and compilation; (2) consent of the authorities to open the records now boxed up and stored away; (3) willingness of those who know to tell what they know. As it is, there has been an attempt to unify the material gathered and present only that portion of it which seems pertinent to the question.

3. Background of the Oregon Growers

Cooperative marketing in Oregon constitutes a story in itself. No complete treatment of it is attempted here but a few outstanding particulars are given to indicate the process of development which preceded the Oregon Growers.

No authentic study was found treating of the historical element of cooperatives in Oregon. A primary source of information concerning Oregon's cooperative associations is in the books of the State Corporation Commissioner, but this information is not listed in any separate or condensed form and the complete story of these associations, their

various fortunes, and final outcome remains to be told. A secondary source is available through attendance at meetings of the type of the Cooperative Marketing School held at Oregon Agricultural College in 1926,³ or from the records of such gatherings. A corrected list, as of June 23, 1925, of important active cooperative organizations, compiled by Mr. Harry A. Babcock, and two Government bulletins furnish some illuminating data.⁴

The earliest history of cooperation shades off into the indefinite. It was begun in a small way, probably being a local community affair partaking of the nature of a pool.⁵ But regular organized cooperation with systematic orderly provision for management and operation is of comparatively recent origin.⁶ Prior to 1910 there was not a great number of cooperative marketing organizations, nor was their membership or market extensive. From 1912 the

³ Proceedings of the Cooperative Marketing School, O.A. C. Campus, Feb. 24th, 25th, 26th, 1926, under the direction of C. J. Hurd, Specialist in Organization and Markets, O. A. C. Extension Service.

⁴ Jesness, O.B., Ass't in Cooperative Organization, and Kerr, W.H., Investigator in Market Business Practice, "Co-operative Purchasing and Marketing Organizations Among Farmers in the U. S.", U.S. D.A. Bull. 547, Sept. 19, 1917; and Ellsworth, R.H., Specialist in Agricultural Cooperation, Bureau of Agricultural Economics, "Development and Present Status of Farmers' Cooperative Business Organizations", U.S. D.A. Bull. 1302, Dec. 29, 1924.

⁵ C. J. Hurd, "Remarks by the Chairman", Proceedings of the Cooperative Marketing School, op. cit. p. 1.

⁶ Steen, Herman, Managing Editor, The Prairie Farmer, "Cooperative Marketing", American Farm Bureau Federation Library, Doubleday, Page & Co. 1923, p. 6.

TABLE I⁷

Growth of Cooperative Organizations in Oregon, Washington and California, 1913, 1915, 1924

Number of Associations																															
Dairy Products			Fruit & Produce			Grain			Stores			Forage crops 1924		Poultry & Prod. 1924		Wool 1924		Nuts 1924		Miscel. Selling '24		Cotton 1915		Miscel. Buying '24		Miscellaneous			Total		
1913'15'24			1913'15'24			1913'15'24			1913'15'24															1913 '15 '21			1913'15'24				
Ore.	5	16 42	27	40 26	14 48 9	2	8 4	1	1	2	1	9	-	2	1	5 9	42	85 99													
Wash.	10	14 24	20	52 50	32 16 42	6	12 39	-	2	1	-	7	-	4	3	8 7	78	134 169													
Cal.	19	26 23	64	124 246	-- -- 14	1	11 7	6	8	2	40	12	2	4	18	34 12	102	197 366													

⁷ Development and Status of Farmers' Cooperative Business Organizations. From Tables in Ellsworth, R. H.,
op. cit. pp. 14, 20, and 26.

movement in cooperative marketing gained momentum, apparently the outgrowth of experiments and successes in California. Oregon's proximity to that State naturally brought about an awakened interest among farmers here, as the basic market conditions are somewhat the same. Up to and during the war cooperatives in many fields were instituted all over the country. These were still of a more or less local nature, at least so far as Oregon was concerned, composed of a small group of neighbors all interested in marketing their common commodity. Their main function was assembling their product and negotiating in a collective way for its sale. These cooperatives, however, operated more and more extensively and membership became much increased. The accompanying Table (I) shows the trend of the movement with regard to growth in Oregon, with figures for Washington and California given for purposes of comparison. It is not claimed that these figures are entirely accurate but they seem to check fairly well with other sources. For example, we have a bulletin of the State College of Washington⁸ in which the number of cooperatives in that State on June 1, 1925, was given as 168.

⁸ Dummeir, E.F., "Cooperation in Marketing Washington Farm Products", State College of Washington Experiment Station, Pullman, Wash.; Division of Farm Management and Agricultural Economics, Bull. 194, Dec. 1925, p. 107.

The Babcock list of C. J. Hurd's correction, omitting all but important active cooperative marketing organizations which might mean miscellaneous and cooperative stores, gives a 1925 figure for Oregon of about 70. Furthermore, it is stated by C. J. Hurd, and mentioned also by Jesness and Kerr,⁹ that many cooperatives reach the point of organization only and never function in a business way. This would indicate that the figures given in the Table represent a fairly accurate tendency.

After the spurt from 1915-16 and thereabouts, in the matter of interest in forming cooperatives, the next important change appeared immediately after the war, when the large central commodity type of organization with binding contracts on the grower came into vogue. Cooperation was undertaken on a grand scale over the entire country and the Capper-Volstead Act, as well as numerous State statutes respecting cooperation, placed it on a much more secure footing.

The deflation period following the war checked, for a time, cooperative expansion, as it did all business, and sent on the rocks many of the newly organized associations,¹⁰

⁹ Op. cit. p. 12

¹⁰ C. J. Hurd, "Remarks of the Chairman", O.A.C. Marketing School, op.cit. p. 2. Mr. Hurd said, "I think it will not be departing from the facts to say that with all the efforts expended by different agencies interested in cooperation, we have less people actually marketing their products through cooperative marketing associations than we had three years ago", i. e. 1923.

especially those formed on the peak of inflation. However, the books of the Corporation Commissioner of Oregon show that there is at present a tendency toward renewed activity in cooperation.

Such, in brief, is the history of cooperative growth. As it refers to Oregon there are two outstanding factors influencing conditions: (1) Oregon has, in the first place, a fair amount of agricultural surplus but is situated at a distance from the important consuming markets. This is especially true with regard to one of its most important crops, prunes; (2) Oregon farmers have at all times been greatly influenced by California's activities in this line. It seemed that what was good for California was good for Oregon, and California plans have been introduced in toto irrespective of local conditions.

Another fact of no little importance to California, Oregon, and other parts of the country has been the influence of promotion in cooperative undertakings. Not the least important of these promoters may be mentioned, Aaron Sapiro. His name is linked with California's cooperative development and he has left his mark in the Northwest and in Oregon. In fact, the particular organization which we have under consideration, the Oregon Growers, was a Sapiro promoted organization.

One qualifying condition must be noted. In the ab-

sence of actual data, the extent to which a lessening in numbers of organizations from 1915 to 1924 was due to failures or to natural elimination resulting from a greater number of larger organizations cannot be measured. It is safe to say that both influences have had their effect.

The net result of this evolutionary process seems to indicate that big business has established itself among co-operatives, but, in this part of the country, the advantage appears to be at present with the federated type. These factors are explained by the much more effective operating efficiency of this form of organization.¹¹ Control of markets and stabilization seem to make advantageous large organizations and federation seems to be the desirable form on the basis of experience.

Cooperative development, as everyone knows, has not been without its significant failures. It is notable, too, that much more attention is given to the failure of a cooperative, even of small size, than to the failure of an ordinary business undertaking of many times the size of the cooperative.

The most important information for our purposes on

¹¹ Jesness, O. B., "Cooperative Marketing of Farm Products", Lippincott's Farm Manuals edited by Kary C. Davis, Lippincott, 1923, p. 17

the subject of failures is that which helps to an understanding of the causes. A number of authorities have expressed themselves on this point. A survey of the Government covering the case shows the following condition:¹²

TABLE II.

Number of associations reporting reasons for ceasing to operate, 1900 - 1923.

<u>Reason Given</u>	<u>Number</u>
Inefficient management	558
Lack of interest	556
Insufficient business	326
Insufficient working capital	282
Insufficient membership	222
Too liberal credit	187
Inadequate accounting system	114
Lack of proper audit	103
Dishonest management	100
Capital stock falling into too few hands	32
Property damaged by fire	12

The above reasons are adequate for a rough classification, but some analyses go further and state the explanation for inefficient management, lack of interest, and what not. Still other causes of failure do not seem to come under any one of the classifications, while other explanations, to give a few authorities,¹³ frequently are:

¹² Ellsworth, R.H., "Development and Status of Farmers' Cooperative Business Organizations", op.cit.p. 67.

¹³ Jesness, O.B. Cooperative Marketing of Farm Products, p.16.

1. Too much is expected.
2. Principles of successful co-operation not understood.
3. Too much is attempted.
4. Too much is invested in plant.
5. Operating expenses are excessive.
6. Speculation.

The relative importance of different causes may be seen from the figures in Table II. Thus problems connected with management and disloyalty among members loom large, while details of finance and volume of business seem to be always worthy of serious consideration. The same observations are supported by other authorities on cooperation.¹⁴

It is not the purpose of this thesis to elaborate on the different explanations for these varying causes of failures in cooperation; the facts are accepted on the strength of undisputed authority. They are given here because of their bearing on the history of the Oregon Growers Cooperative, to which comparisons will be made later.

¹⁴ Some of the difficulties in management which operate to reduce the effectiveness of associations have been summarized from answers obtained from managers of fruit and vegetable associations. They are found in the following bulletin: McKay, A.W., Marketing Economist, and Kuhrt, W.J., Assistant Marketing Economist, Bureau of Agricultural Economics, "Management Problems of Cooperative Associations Marketing Fruits and Vegetables", U.S. D.A., Dept. Bull. No. 1414, July 1926, p. 6.

The foregoing are the more or less universal facts about cooperative development as a whole. Something of the immediate setting which called the Oregon Growers Cooperative into being will now be considered.

Circumstances connected with the prune industry were responsible for the origin of the Association. In 1919 a very unsatisfactory condition prevailed in this line of industry. Prices were high but spotted. They had been so for five years past, but the situation in this year was particularly unstable. Table III gives a list of several fruit items showing extremes of price variation. No one knew what he might receive for fruit even of recognized grade and standard.

TABLE III.¹⁵

MARKET CONDITION 1919

RANGE OF PRICES OF DIFFERENT FRUITS

<u>Item</u>	<u>Price Range</u>
Prunes	9 to 20 cents per pound
Pears (Bartletts)	22 to 90 dollars per ton
Loganberries	5 to 12 cents per pound
Raspberries	8 to 20 " " "

¹⁵ Oregon Grower, Vol. II, No. 5, Dec. 1920, p. 3.

This situation was responsible for two elements of dissatisfaction among growers. One such source of discontent was the insecurity which the growers felt in the actual disposal of their crops, hardly any two growers receiving the same price. The other source of discontent was closely associated with the first, namely, that the market was highly speculative. In consequence the opinion was prevalent among growers that they were being "worked". It appears that in 1919 packers allowed speculation in prunes with the result that there was often a considerable rise in price after the product left the hands of the growers.¹⁶ The indirect effect was a restriction in demand, with the later necessity for shipping on consignment at any price that could be obtained. This was a real grievance and, in the words of the growers, they "organized to drive the speculator from the market".

There were other contributing causes favoring the desire of the growers of the State to cooperate at this time. From 1907 to 1912 there was a boom in apples, while from 1912 to 1916 there was a period of collapse when 10,000 cars meant over-production. Then by organization methods in 1917 the market was revived to the ex-

¹⁶ Why We Organized the Oregon Growers Cooperative Association, Oregon Grower, Vol. II, No. 5, Dec. 1920, pp. 1 ff.

tent that by 1920 35,000 cars could be absorbed.¹⁷ This seemed to point toward benefits from cooperation. Still another important factor was the apparent success of co-operatives in California, - for instance, the Raisin Growers, to note one of many. The "California Plan" was a slogan among cooperative advocates. The California Fruit Exchange was a living example of what could be done cooperatively in the fruit line. The success of the Salem Fruit Union, the Eugene Fruit Union, Hood River Apple Growers, and others also influenced the fruit growers of the State in their leaning toward cooperation. There was a general demand for entrance into existing local co-operatives. On the other hand, if these cooperatives could not find a way to absorb the new applicants they were creating competition for themselves. Conditions in the Salem district reached a point where the manager of the Salem Fruit Union was authorized to make a trip into California for the purpose of studying the working of cooperation in that State. No one in Oregon was better qualified for a mission of this kind. It was natural that anyone on such an errand should meet the great cooperative expert, Aaron Sapiro. The net result of this meeting was that Sapiro came into Oregon with the most complete plan of cooperative organization that had been developed up to this

¹⁷ Oregon Grower, l. c.

time, a plan for uniting all fruit and vegetable growers of the State into one huge organization.

Various interests were allied with the movement; high pressure campaigns were carried on to interest growers, local pride was made a basis of appeal, and Sapiro himself seems to have been a forceful power in enlisting the support of those who could be of benefit in the launching of such an enterprise. He dispelled doubts, won over bankers and business men, and presented what appeared to be a perfect plan of procedure.¹⁸ With this start, organization was carried forward under the guidance of various individuals of ability in this line of work. Acreage and growers were signed up in promising numbers and on June 16th, 1919, the Articles of Association of the Oregon Growers Cooperative Association were filed under the laws of Oregon.

¹⁸ Percy, Earl, a personal report on an analysis of the Oregon Growers Cooperative Association lent by him to the writer. Mr. Percy was associated with the organization at the start in the official capacity of Assistant Secretary and had charge of much of the early organization work. His report was a tremendous help in an understanding of the conditions of the times. Some of the writer's other statements are grounded on information from this report and personal interview with Mr. Percy.

PART IIHISTORICAL DEVELOPMENT OF THE ASSOCIATION

A summary of the life of the enterprise reveals that the first year was one of glowing hopes and yet, withal, some financial difficulties, as it was not possible to keep up with an expanding program which had not been foreseen. Then followed a year of actual financial struggle, along with difficulties brought about through disagreement among different districts. A third period was one of endeavoring to cope with problems through ineffective adjustments in management and control. The final period was one of helpless floundering and a grand immersion in a sea of countless troublesome detail. The institution was abandoned a whole year before the original contracts of the Growers expired.

The business of promotion had some bearing on the ultimate outcome. The method of procedure in obtaining members was somewhat as follows:

In each community where a drive was intended leaders of likely caliber were selected. Their support and co-operation were elicited and lists of growers were obtained with their help. Literature was mailed in advance to these growers and the press was utilized for pertinent

¹ Earl Percy's Report, cited.

news items. A special invitation to attend the meetings was sent to each grower and, in addition, these meetings were advertised widely in a general way. As speakers one of the chief organizers, a banker, a well known member of the organization board known locally, and some prominent fruit grower from another district would be present. Occasionally, although not often, Sapiro himself appeared but, if so, he was likely to be the single main attraction. At the close of the meeting an appeal was made for signatures. The day following this big meeting, organizers, with the help of the local leaders, covered the district in order to secure memberships. Very likely then the district would be left for a few days, when repeat meetings would be held and follow-up work carried on. The organizers claim that no radical tactics or strong-arm methods were used. The opportunities were merely plentifully offered, argument was forceful and persistent, and no one lacked information or invitation to join. However it was worked, the plan was successful and some districts signed up heavily. From 1600 members in December, 1920,² the organization expanded in a year or two to 2200 members, and the statement was made in January, 1921, that the Oregon Growers controlled 40% of the prunes of the State.³

² Oregon Grower II, No. 5, Dec. 1920, p. 4.

³ " " II, " 6, Jan. 1921, p. 10.

However, it is undoubtedly true that the responsiveness of the growers at this time was largely due to this situation in the growing industry. High prices, coupled with inflation, the desire and, in many cases, the necessity for keeping up the prices, the promises of the organization, all helped in the selling of the scheme. Practically all the later critics mention the common error of "expecting too much",⁴ adding force to an oft-quoted evil of cooperative promotion in general.

Yet hardly was the organization started in the first flush of enthusiasm when a series of adverse circumstances appeared. Early rains ruined the crops, economic deflation over the whole country appeared with the handling of the first crop. At the same time conflicting local interests within the organization made excessive demands calling for heavy investments. Just at the very worst time, at the peak of prices, in order to handle the crops at all packing plants were purchased, supplies obtained, and expensive experimentation begun. There was no central plan, just an idea to gather, pack, and sell the fruit that existed, even though it was of poor quality. More plants were obtained than needed and many of them were in disadvantageous locations. But the members themselves forced

⁴ Oregon Voter 35, pp. 6 - 8, Oct. 13, 1923.

the management to recognize local interests to the detriment of the whole system. These investments were effected without regard to their place in the whole scheme or without any relation to unified financial planning. The Manager of the Packing Corporation asked for and was given authority to make arrangements for the acquisition of plants, although anything in excess of \$10,000 was to be subject to review by the Executive Committee.⁵ This was a load that never was overcome. It was the load that the organization could not carry. It was hoped that later years would supply the finances to carry off the poor beginning, but later years proved a burden and not an asset, especially the very next year (1921), which was a light crop year when the organization needed a heavy one.⁶

Gradually the excessive burden of borrowed moneys and the frozen character of the Association's investments placed

⁵ Minutes of Special Meeting of the Corporation Board, May 24, 1920. A few instances may be cited to illustrate: (1) Warehouse not needed at Davis was authorized to be sold (Minutes of Corporation, Apr. 25, 1921); (2) The Salem Fruit Union contract was rescinded by the payment of \$2000 fine for non-performance. At the same time \$25,000 was authorized to pay the Salem Fruit Union and take over the equipment of the Phez Plant, which itself proved an uneconomical investment later (Minutes of Corporation, Mar. 31, 1922). (3) Some other plan of acquiring use of evaporators in certain districts other than ownership was recommended and a resale of those then owned. At the same time provision was made for entering the canning business (Minutes of Corporation, Apr. 26, 1922).

⁶ This represents in substance the opinions of the General Manager and the Secretary-Treasurer, as expressed in interviews with them and is supported by other general sources.

the organization in a position where it could not close the fruit pools for the growers nor find the means to pay off outstanding capital obligations. The chief stumbling block in the way of old debts were the Preferred Stock issues, which simply could not be redeemed as specified. To this day not all of this obligation has been paid off, although, as the various properties are disposed of, indications are that eventually this debt will be cleared. A statement from the office of the Oregon Growers Co-operative Association intimates that there are no outstanding bills for supplies unpaid.

As the difficulties began to press more and more heavily upon the organization, the members became more and more dissatisfied.

By the middle of 1922 the tenor of resolutions of the Board of Directors began to savor of a lack of singleness of purpose in the direction of the affairs of the organization. It was intimated that overhead was excessive. The law was invoked in a number of instances, which in itself was an indication of trouble. A Ways and Means Committee was created to act as a general reference bureau for the unfathomable difficulties. A source of continuous weakness to the organization was the lack of compatibility between different sections and different interests. The Medford district in particular was the cause of perpetual friction and never fully cooperated,

although it did not hesitate to ask for much. The capital investment in that district was far greater than its local subscription through stock to the value there represented. In view of this lack of cooperation, Medford's final isolation was inevitable.

At times wholesale withdrawals were threatened in some of the early troubles. The binding nature of the growers' contracts⁷ were upheld in the courts but did not create goodwill for the Association. Furthermore, it makes one fairly dizzy to read the Minutes of the organization from the late months of 1922. Motions were made one month only to be rescinded the next; "much talk and little action" might be aptly applied to a great number of the meetings. Of course it was obvious that the Directors did not know what to do. Reorganization began to be talked⁸ and then rapidly the Association was forced to free many of its members from their obligation to market through it.⁹ This still further increased the unit cost of overhead charges

⁷ The Supreme Court of Oregon upheld the validity of the Association's contracts with members in the case of August and Benjamin Lentz in a suit commenced July 1922 and closed Feb. 13, 1923. Oregon Grower, Vol. IV, No. 8, Mar. 1923, p.3.

⁸ The question of whether some other plan of operation would be better than the existing one was brought up as early as Mar. 31, 1922, and definite reorganization plans were repeatedly brought up from then on.

⁹ The Eugene district asked to withdraw on the grounds that the Association had failed to live up to its agreement (Minutes Apr. 25, 1922). This, with the independent position of the Medford district, made a large cut in the organization.

until finally, in the late months of 1923 and the early months of 1924, the functioning of the Oregon Growers as a marketing agency faded away, the growers found other outlets for their products,¹⁰ and all that was left of the once mighty organization was a small concern liquidating its debts. The process will not be likely to continue for any great length of time and what will remain will be a few old records, some unsold, rather unsalable, properties, a vast accumulation of experience, and not too pleasant a memory.

¹⁰ On July 11, 1923, the prune business was formally given over to the newly organized North Pacific Cooperative Prune Exchange. For a consideration of one dollar the right to the use of the Mistland Brand was also given. On Aug. 1st a general transfer of trade marks was made over to the North Pacific.

PART IIIPARTICULARS OF THE ASSOCIATIONI. Organization

A study of the details of the organization of the Oregon Growers Cooperative Association is now in order. Although the prune industry furnished the backbone, the way was left open for other industries of a like nature to be included.¹ The Articles of Association state:

"The purposes for which this Association is formed are: To promote, foster, and encourage the business of producing any and all varieties of vegetables, fruits, grains, nuts, foods, or feeds".

And all activities connected with the placing of these products on the market were designated as rightful activities of the Association.

As part of a complete scheme to complement the anticipated functions of the Association, there was also organized the Oregon Growers Packing Corporation, June 19, 1919, the stated purposes being:²

¹ Articles of Association of Oregon Growers Cooperative Association, second provision.

² Articles of Incorporation of the Oregon Growers Packing Corporation, second provision.

"To pack, process, can, manufacture, store, warehouse, handle, and market any fruits, vegetables, berries, nuts, and other agricultural and horticultural products grown in the State of Oregon by any means and in any way whatsoever". and to carry on all necessary activities to achieve that purpose.

The Association and the Corporation were indissolubly linked together in interests and the functions of each were interdependent. The same officers and directors served for each organization, yet the two were distinct and possessed separate legal existence. The minutes, records, and accounts of each were separately kept.

The whole plan of organization, administration, and operation was by many known under the name of the "Sapiro Plan", because of the connection with Aaron Sapiro. It was a plan similar to a group of cooperative enterprises dating from about the same period.³ Some similarity may be found in the form of organization of the Northwest Wheat Growers, Associated, the United States Grain Growers, Incorporated,

³ Brown, Edmund, "Marketing", Harper & Bros. 1925, p.292, and Jesness, O. B., "Cooperative Marketing of Farm Products" op. cit.; the latter reference in several chapters takes up the treatment of many of these cooperative organizations in detail. Later reports, such as those of the O.A.C. Cooperative Marketing School, etc., have the up-to-date material on their outcome.

various cotton and tobacco organizations, and others, and the likeness in the common fate of most of them was strikingly apparent.

The distinctive features of this type of cooperative lay in the following:

(1) Large scale organization.

In the case of the Oregon Growers this refers to the State wide extent of territory and the all inclusive field of products. The entire horticultural industry and many of the agricultural interests were contemplated and intended to be included in the organization.

(2) Centralized management

We find at this time great emphasis on the establishment of a centralized type of cooperation.⁴ The organization was from the top down and responsibility between the grower and his Association was direct. The affairs of the organization were managed from this central office and the contracts were made between the grower and the central body.

(3) The long term contract.

In the case of the Oregon Growers this contract was ironclad for a five year period. The strength of the contracts were tried in court on different occasions

⁴ McKay & Kuhrt, - "Marketing Problems of Cooperative Associations, U.S. D.A. Bull. 1414, op.cit. p. 21.

and were found binding.

(4) Separation of selling from processing function

One organization existed for selling, administrative and organizing work, and the other for processing, packing, and storing the product. The two types of activities were entirely distinct.

(5) Financing

This was one of the alleged strongest features of the "Sapiro Plan". Its main object was to establish warehouses for storing the products against which warehouse receipts could be issued, and these used as a basis for loans. The purpose was to raise funds with which to make advances to growers. It was claimed by promoters of the organization that payment up to 75 or 80% of the value of the products⁵ could thus be made to growers, and it cannot be denied that this was a telling argument that won over many a doubting Thomas.⁶

The ownership and control of a subsidiary stock company was another financial advantage to the Association. It seems that there are a number of reasons why coopera-

⁵ The figures here given were those of the Organization Manager but the Oregon Grower (Vol. I, No. 3, Oct. 1919, p. 9) more optimistically argues "permitting the Association to make an advance of 90% on these warehouse receipts.

⁶ Earl Percy's Report, cited.

tives choose to organize without capital stock, cooperative law being one of these influencing factors. But the cooperative organization when once formed can itself own a corporation of the ordinary type and raise capital for purposes of carrying on the production process. In the case of the Oregon Growers there was need for heavy financing, heavier even as a matter of fact than what finally was provided, and the money thus raised from capital stock accomplished for the organization what would never have been achieved under any plan of raising money by membership fees.

We may now review the features of the organization as set forth in its articles of Association, Articles of Incorporation, and by-laws of the two units.

First, because more fundamental, it will be well to consider the Association. One paragraph in the statement of purposes presents the following pertinent facts:

"All activities of this Association shall be nonprofit and cooperative in character, for the mutual benefit of its members, and shall be limited to activities arising out of the financing of its members, or the production, preserving, canning, drying, packing, processing, shipping, storing, warehousing, handling, and market-

ing of their agricultural or horticultural products or any of them".

The main office was established at Salem, although later a rather independent branch was established at Medford to handle the business of the Southern Oregon interests.⁷ The Association was a non-stock organization and membership was limited to actual producers on payment of a ten dollar fee. Each member had one vote and the right to transfer membership was subject to the approval of the Board of Directors.

The Association members met annually to elect a Board of Directors and to pass on matters of general interest to the Association. As originally planned, the control of the affairs of the Association was in the hands of a Board of Directors meeting quarterly when in regular session, although frequently they convened in special meetings. The Board of Directors elected its officers, appointed the administrative officers and employees and delegated its authority to an Executive Committee of five members to function during intervals between its own meetings. However, after March, 1922, the Executive Committee ceased to meet formally and the Board of Directors itself thereafter met once a month. In number there were twenty-one directors apportioned on a district plan based on approx-

⁷ Minutes of the Association.

imate importance of size of business. This apportionment was changed on a few occasions as it appeared conditions were changing. The officers of the Board, as well as of the Association, were a President, two Vice Presidents, and a Secretary-Treasurer.

The powers and duties of the Board were to record and direct the affairs of the Association, supervise its appointed officers, make the necessary contracts for the conduct of its business, and provide for the care of the funds of the Association. A way was provided for regular auditing and for organization of field service throughout the State.

The general provisions of the By-Laws, besides repeating or explaining more fully some previous provisions either in the Articles of Association or the By-Laws, also covered some additional points, of which the following were important:

1. Pools

These were to be on a basis of "variety, grade, district, or otherwise". Deductions for handling charges and costs of selling were to be made, and one very interesting provision appears, - that "Prior to actual distribution, the Directors of the Association will be authorized to use any of the funds in the possession of the Association or any of the property or assets of the Association, for any of the purposes or activities of the Association

within the general provisions of" the purposes outlined in the Articles of Association. A harmless, business-like little provision, but how truly and literally applied! Slow closing of pools plus deductions were two of the complaints later directed against the Association by its members.

2. Standards and Grades.

There was no stated set of standards or grades required by law covering the products involved, hence the responsibility for their establishment rested with the Board of Directors, a duty which was very satisfactorily performed. In fact, the Manager of the Association, who is at present in an independent prune packing enterprise, states that the hardest competition in selling which he is now obliged to meet is that of the "Mistland" brand, which he was responsible for establishing in the days of the Association's activities.

3. Expenses of Maintaining Organization.

These were to come from membership fees and funds deducted from sales as specified in the Association's marketing agreement. These deductions varied from time to time but increased with the age of the Association.

In 1920 the deduction for selling and administrative expense was 5% of the sale price of the products of each grower; during 1920 this rate was increased to 6%; in 1922

there were various rates according to the nature of the product, but there was added 3% more to create a fund to retire preferred stock.⁸ The Board of Directors on June 20, 1923, established the following schedule of charges:

5%	for the Association
5%	" dried prunes and the same for fresh fruits
3%	" retirement

From this it will be observed that there was a minimum deduction of 13%, which the members considered heavy.

4. Penalties.

A fine of fifty dollars was to be imposed for violation of any of the rules of the Association and a schedule of liquidated damages was incorporated in the marketing contract.

5. Manager.

There was to be a Manager of the Association whose duties were defined by the Board of Directors. Some confusion actually existed as to the scope of the Manager's duties. In the second year of the organization various administrative duties were divided in such a way as to create the Sales Manager the chief administrative officer

⁸ Marwick, Mitchell & Co., Accountants and Auditors, Portland, Ore., Oregon Growers Cooperative Association Report on Audit from Date of Organization to Mar. 31, 1923, p. 3, and also audit of the same firm for the year ended Mar. 31, 1923, p. 3

of the Association. The next year the management of the Association and the Packing Corporation were merged into one and in the remaining years we find the Board of Directors interfering, to whatever purpose, in affairs properly belonging in the hands of the Manager.⁹

6. Borrowing Money.

It was expressly stated that the Association, acting through the authority of the Board of Directors, could borrow money and mortgage assets to any extent deemed advisable or necessary. Very frequently this authority was given the Executive Committee and also the Manager. They made ample use of the privilege from force of necessity. There were \$1,000,000 demands with a \$600,000 business.¹⁰

¹¹
The Marketing Agreement should also command our attention. It represented at the time the last word in some particulars. The main principles might be enumerated as follows:

The Grower agreed to deliver as the Association di-

⁹ See Report of A. V. Swarthout, Bureau of Agricultural Economics, "Management the Vital Problem of Cooperations", excerpts from a discussion before the National Association of Marketing Officials, Chicago, Dec. 1925, p.2, "Instead of judging by results obtained, the tendency seems to be (for Directors) to delve into petty and insignificant details of day to day operation and thus fritter away time which could be spent more profitably on 'formulating policies'".

¹⁰ Statement of the Manager.

¹¹ Appended to the Thesis.

rected all the products specified in his contract for a period of five years, commencing with 1920 and continuing to 1924, conforming to the grades and standard set by the Association. The obligation on the part of the Association was to dispose of these products to the best advantage, turning the proceeds over to the producer less costs of the service and a sum not to exceed 2% for reserve and advertising. The Association specified its right to make advance contracts for the disposal of products. The principle of pooling was designated as a method which might be employed for the disposal of products, and, in fact, this was the general method that was followed. Although it may appear as a perfectly obvious advantage, there was some criticism of the way in which the pools were handled and some producers, feeling injured, were turned forever against the organization. This is true of a certain group of Washington growers who were denied the privileges of a certain specified pool.¹²

The Association was authorized to borrow money by pledging products or by discounting paper representing sales in order to make pro rata advances to growers for products delivered.

By other provisions the Grower became a party to the contracts and agreements made by the Association. Thus,

¹² Statement of a member of the Washington Prune Growers Cooperative Association.

for instance, each individual grower was responsible with all other growers for the agreement between the Corporation and the Association, so that however little there may have been of actual unity, there was absolute and definite legal unity.

Finally, the Grower admitted the binding nature of his contract with the Association, assented to the liquidated damages in case of any diversion by him of his product, and consented to injunction and court costs in connection with any breach of contract. The Agreement left no opportunity open to a member for acts of disloyalty.

The organization of the Corporation was necessarily different in some respects from the Association. It was a capital stock concern. It was, as it were, the hired worker of the Association.

The Corporation was organized with authorized capitalization up to \$1,000,000, \$500,000 of common stock and \$500,000 of 7% cumulative, non-voting preferred, all of par value of \$10. Control of the Corporation was kept in the hands of the Growers by a provision that they only were privileged to own common stock. Each Grower was required to purchase a share of common stock (at \$10) for every acre of cultivated land being worked by him that was bearing products stipulated in his marketing agreement. Capital outside the resources of the Growers was realized by sale of

the preferred stock which was issued in five series, each one of which was to be retired at the end of one, two, three, four, or five years with a bonus of 2% of par value. It was expected that many of the members of the organization would themselves subscribe to this stock, but friends of the institution, along with patriotic boosters of the State and localities within the State, were thus given an opportunity to help along a good cause and at the same time have an outlet for investment funds. Banks and other financial sources did, in fact, subscribe to much of this preferred stock. \$263,000 of this was outstanding as of March 31, 1922.¹³ One dividend was paid a year after the date on which it was due and but one of the series of preferred stock was retired during the active life of the Corporation: the Series "A", due to be retired in December, 1920, was retired in March, 1923.¹⁴ Needless to say, these overdue obligations caused much difficulty and embarrassment to the organization.

One of the features of the common stock was that dividends were to be limited to 10%, but this was a needless provision so far as the history of the organization goes, as the common stock never received any dividend.

Control and management of the Packing Corporation as stipulated in the By-Laws was similar to that of the

¹³ Audit of 1922 cited, p. 2
¹⁴ " " 1923 " p. 2

Association and, in general, the wording of the sections in the By-Laws of the Corporation was the same as in those of the Association.

Field service was provided through the office of the Assistant Manager. The object of the service in the early days was for organizing purposes, but later other motives came to take more prominence. Education in cultural methods, packing, costs, and the like, was part of the Association program. Further, the field service furnished the tie between the central organization and the members. But as difficulties grew up within the organization some feeling arose that the field service was an unnecessary expense, and shortly following the resignation of the first manager after two years,¹⁵ at a time when liason was most imperative, the field service organization was abolished by the Directors. The argument put forward was that the Association paper, the Oregon Grower, could make the necessary contacts, with such other connections as existed between officers and members.

The Oregon Grower was a not unworthy magazine dealing with the business of the Association and also furnishing educational matter and other information bearing on the industries of interest to the growers. It had a circulation of 10,000 and was well regarded throughout the country.

¹⁵ Minutes of the Association, July 7, 1922.

The magazine was begun in August, 1919, and continued to August, 1924. It was, most of the time, self-supporting and toward the end of its existence quite so.

Services rendered by the organization for the benefit of its members consisted in the purchasing of occasional supplies, such as spray material, furnishing lug boxes at cost, advancing loans to growers for crop expenses, although this latter practice was not encouraged and was finally discontinued, and other minor helps. There is no doubt that the organization performed a great deal of individual and general educational service both in the field and through its publication.

II. Operation.

Some significant particulars in the actual operation of the organization should not be overlooked.

a. Study of functions.

(1) Assembling

In the case of the Oregon Growers products were assembled at the different plants and at various receiving stations. If the products were to be processed they were sent to the packing plants or canneries from these central shipping points. The Corporation was owner of the physical plant properties and at the height of its activities they were distributed over the State in the manner indicated in Table IV.

TABLE IV.¹⁶PLANTS AND EQUIPMENT

As on March 31, 1923

	<u>Land and Railroad Spurs</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Furniture and Fixtures</u>
Carlton	406.37	10,483.87	4,044.24	-
Corvallis	-	-	1,370.42	12.05
Dallas	5,968.67	34,947.49	14,688.65	533.15
Dever	1.00	10,330.12	4,362.25	-
Falls City	-	-	4.34	-
Forest Grove	5,385.42	13,911.62	6,145.71	62.95
Garden Valley	250.20	6,259.14	1,031.28	-
Grants Pass	2,370.00	10,274.71	1,077.79	72.25
Medford	7,827.71	56,076.41	14,391.16	1,311.02
Myrtle Creek	-	10,951.00	6,798.27	-
Newberg	4,646.74	1,866.93	573.64	-
Phoenix	-	1,220.74	1,449.47	-
Riddle	-	11,796.17	6,815.11	50.60
Roseburg	11,757.17	17,808.85	2,718.91	627.38
Salem	-	1,309.13	13,095.99	266.49
Salem Office	-	-	-	577.28
Scotts Mills	250.00	6,925.75	7,730.93	-
Sheridan	3,311.27	25,645.19	6,236.04	35.45
Sutherlin	3,411.20	23,739.40	21,095.81	753.46
Talent	-	350.00	-	-
The Dalles	7,387.04	13,333.91	7,157.72	422.29
Voorhies	-	800.00	-	-
Yamhill	-	16,996.89	7,304.86	-
Miscellaneous	-	-	278.04	-
	<u>52,972.79</u>	<u>275,027.32</u>	<u>128,370.63</u>	<u>4,724.37</u>

¹⁶ Audit of Mar. 31, 1923, cited; Schedule "5".

(2) Grading.

Grading refers to quality and condition. By the provisions of the By-Laws this function of establishing grades and standards was in the hands of the Association, and they were established as occasion demanded. In the case of prunes these were fairly well recognized. For apples and pears the organization held a monster State-wide packing conference in Salem, June 28, 1920¹⁷, to which came also prominent fruit men from neighboring states. The details of grading and packing apples and pears were arranged and the results as to grades were as follows:

<u>Apples</u>	<u>Pears</u>
Fancy	Fancy
Extra Fancy	Extra Fancy
"C" Grade	
Combination Grade	
Orchard Run	
Unclassified	

The Association made itself responsible for inspection.

(3) Standardizing

Standardizing refers to uniformity as to variety and grade. It implies a product which can be recognized as the same from one time to another. As in the case of grading, the Association set the standard and supervised the inspection.

(4) Processing.

This work was performed at the plants of the Corpor-

¹⁷ Oregon Grower, Vol. II, No. 1, Aug. 1920, p. 1.

ation, either those which they owned or those which they leased. The work of processing prunes was the most important function of the organization, but later many surplus products of all kinds were canned. The Association was just about to enter on extensive canning operations when the tide of fortune began to turn against it, and they had even gone so far as to purchase a site in Salem which was never used.

(5) Packing

This was a highly important function in the life of the organization and was carried on at the respective packing plants of the Corporation. In this regard there is no reason to believe that the work was not as carefully performed as when done by private packers. Some complaints were registered by merchants to whom the goods had been consigned, but the emphasis seemed to be on a price adjustment. The Association sought remedy in better marketing facilities than in adjustment of packing methods. Complaints were more numerous in the period of deflation than later, which furnishes added evidence that perhaps it was not the packing but a desire to refuse acceptance of contracts that was the most important factor.

The brands of the Association were, in the order of their grade: Mistland, Mistmade, Firland, Made O'Mist, and Truwest.

Of these the Mistland was the most important and the one which has gained recognition. It is still in existence in the hands of the North Pacific Cooperative Fruit Exchange. The Firland and Truwest were the only other brands which, in actual practice, amounted to any degree of importance.

(6) Warehousing.

One of the chief functions of the Corporation was to store and warehouse the products of the Association. This was particularly important in regard to prunes, some few other dried products, and canned goods. Against these money could be borrowed on warehouse receipts and advances made to growers.

(7) Selling (Price Policy)

In the case of its most important product, prunes, there was no policy. The Association did what always had been done, and has been since - with the exception of 1926 - it waited for California to name its prices and then accepted one or two cents lower differential size for size than the California fruit. There was no reason for this except that organization had not been carried far enough to give the individuality to Northwest prunes which they possessed. Naturally there was no bearing on efficiency and cost of these operations only as these same factors were ruling in California.

As a matter of general price policy, however, the Board of Directors sanctioned price fixing in the hands of the Sales Manager.¹⁸

b. Division of functions between component parts of the organization.

The Oregon Growers Cooperative was of the centralized type, administrative authority and supervision emanating from the central office in Salem. The members' contracts were with this office and no formal local organizations existed except those necessary to carry out the directions of the central authority. There was one exception to this,- the Medford district fought for and secured local autonomy shortly after the beginning of the organization. It was almost independent, as a matter of fact, and was a bone of contention rather than cooperation in the life of the organization. There was local districting for purposes of representation on the Board of Directors.

With the above exception, the central governing body dictated and supervised all the financial arrangements. However, each locality was supposed to contribute its own capital account for plant and equipment in its district, but, as a matter of fact, this was not done and capital was distributed heterogeneously without regard to system, leav-

¹⁸ Minutes of the Board, Dec. 23, 1920, approved the action of Executive Committee as recorded in its Minutes of Sept. 3, 1920.

ing some districts without investment while others had the lion's share.

c. Pooling Methods

The matter of pools was left in the hands of a pooling committee, which, during the life of the organization, was made up of the manager, the assistant manager, and one other. We have no data on the number of pools but quote from a letter of the Manager:¹⁹

"The greatest number of pools in any one district it seems to the writer was in the Dalles district where everything from fresh carrots, peas, and beans to all the later varieties of apples were handled. In this district, if we remember correctly, there were 156 different pools to handle the business that did not exceed more than \$200,000.00.

The work of accounting on this proposition, especially the keeping of costs of all these small items was tremendous for the volume of business involved."

d. Management

A discussion of the subject of management of the Oregon Growers organization is the most difficult of all to analyze. Other minds than the writer's have tried to solve the riddle. Aside from the changes in management discussed above,²⁰ the Board found it necessary to appoint a committee to investigate a program for a definite order of business,²¹ a division of the work into committees and a clear understanding of the line of demarcation between

¹⁹ Dated May 25, 1927
²⁰ p. 25
²¹ Minutes Mar. 31, 1923.

the duties of the General Manager and the Board of Directors. They established the definite order of business and worked out a system of committees²² under the division of:

1. Plants and Field Work
2. Fresh Fruit
3. Dried Fruit
4. Canning

but they never discovered that elusive line of demarcation between Manager and Board.

Duties of the Management can be discussed under two divisions:

(1) Duties and Responsibilities of the Board of Directors regarding

(a) Financing

For this we have referred to the provisions of the Articles of Association and Corporation in the way of capital stock, fees, and deductions. A greater demand than anticipated called for all available funds for plant investment to the detriment of working capital. Working capital should have come from membership fees and regular deductions, but capital investments were so heavy that it became necessary to use pool money for running expenses.

(b) Determination and carrying out of policies.

Final authority was lodged in the Board of Directors which secured action either through its Executive Committee or its appointed administrative officers, and from these

it required detailed formal reports. This part of the work of the organization was faithfully and efficiently performed and the Board always had at hand sufficient basis for establishment of policies.

(2) Duties and Responsibilities of the Manager.

(a) Compilation and interpretation of operating and price statistics.

The Oregon Growers was particularly fortunate in the caliber of its General Manager. He was a man of sufficient experience and good business judgment to be able to see the true situation. In his reports before the Board he did not fail to set before it the actual conditions, and he was himself able to formulate policies and exercise a degree of leadership in this regard. Most members of the Association placed great faith in their Manager and few people blame him for the ultimate failure of the Oregon Growers. He was able to do a great deal for it in the way of sales, obtaining loans, and interpreting conditions.

(b) Attainment of maximum efficiency as measured by

1. Operating costs.

There are conflicting opinions with regard to "overhead" in the organization. A figure of 6% was found to represent the operating cost.²³ Other cooperatives have run

²³ Minutes of the Regular Annual Meeting of the Association April 25, 1922.

for less, but comparison of absolute figures would not tell us a great deal except in a rough way. The nature of the enterprise and the type of work carried on by organization, service performed, and so on, are determining factors. A safe statement to make would be that the operating costs of the Oregon Growers were probably a little higher than they would have been under more favorable circumstances, but we do not consider the amount excessive and, at any rate, do not believe that operating cost was a factor in the dissolution of the organization.

ii Price obtained for products

There is one thing that can be said for the organization, - that it established good sales connections. Some of the best brokerage firms in the country were connected with the Association. One of the former members of the Oregon Growers²⁴, now connected with the North Pacific Cooperative Prune Exchange, gives great credit to the Association for a service to the entire Northwest in keeping prune prices at a fixed level. The organization has never been openly attacked on the grounds of prices generally, but only that, on occasions, it adopted a vacillating policy disturbing to the prestige of the Association.²⁵

²⁴ M. P. Adams

²⁵ Oregon Voter 35, Oct. 1923, pp. 6 - 8.

iii. Amount of capital employed

A reference to the official audits of the organization shows roughly that three fourths of a million dollars was ordinarily tied up in the operation of the business. This was divided somewhat as follows:

TABLE V.²⁶

ESTIMATE OF CAPITAL REQUIREMENTS

1.	Plant and equipment	\$471,736.79
2.	Cash on hand or in banks	150,511.25
3.	Inventories of supplies	82,849.33
		<hr/> 705,097.37

In addition, on occasions when growers had warehoused products, loans were sometimes effected for from a half to a million dollars.

iv. Amount of borrowings

Naturally, being underfinanced, the management was forced to resort to extensive borrowing to "carry on". This was for purposes of renewals, to make up the deficiencies caused by delinquencies of growers' notes to the Association and to meet any unusual demands, as when the concern undertook canning operations. There was no surplus on which to draw and continuously through the life of the

organization money which should have been devoted to a specific use was applied to the needs of the moment. Yet the Association was able to borrow sums in an amount of a half million dollars or more.

v. Other indexes.

Personal confidence in the Manager was an asset which no doubt created a spirit of goodwill and made it possible for the Association to negotiate loans when such credit might not otherwise have been available. Undoubtedly the Manager had his limitations, but the attitude taken in this thesis is that failure so far as management was concerned, important as that was, cannot be assigned to personal attributes but to unwieldy organization.

- (c) The accurate interpretation of market demand into

e. Merchandizing

(1) Analysis of demand²⁷

The best available markets for prunes, which were the big outstanding resource of the organization, were the large consuming centers of the East. Connections were made in New York, Philadelphia, Chicago, and other commercial centers. Some outlet was found in the European market but this was a small item in the early days of the Association, due to the financial condition abroad. Yet

²⁷ Facts concerning the marketing of the Association products constitute one of the admitted limitations of this thesis.

in 1922 and 1923 an average of 13% of the total prune exports were Northwestern prunes,²⁸ California supplying the balance.

In other products those which were not disposed of for direct consumption were either sold to canners or canned by the organization. A number of attempts to obtain the amounts of these different items failed and constitute one of the regrettable deficiencies of this study. In the total volume of the country's product the quantities were not great, but in comparison with the total business of the organization these amounts were considerable, so much so that the failure of one of the connections, A. Rupert & Company of Portland, involved an amount of \$34,359.34.²⁹

The course of the product in bulk shipments was usually from broker to wholesaler to retailer to consumer. Recent activities on the part of the North Pacific Cooperative Prune Exchange indicate, so far as prunes are concerned, that the emphasis on widening the market should be placed on the consumer. The real strength of the Oregon Growers can hardly be measured. They were somewhat pioneering the field in hunting out available markets. On the

²⁸ Critchfield, Burke H., Bureau of Agricultural Economics, "Demand, Marketing, and Production of Oregon and Washington Prunes", U.S. D.A. Dept. Circular 416, Apr. 1927, Table 8, p. 22.

²⁹ Audit Report, 1922, cited, p. 9.

other hand, no sooner were they well under way than the organization ceased to function, whereas established markets are a matter of growth and long standing.

Prices were mainly a matter of supply in relation to demand, if by this we include all the market for a product. Thus the greater importance of California as a marketing influence must be considered. Another factor affecting prices was the matter of financial condition. Deflation set in just at the time the Oregon Growers began to function, and this showed itself in prices which particularly affected the market for prunes.³⁰ The foreign demand had an indirect effect on Oregon produce prices. Still another factor in price forming was the element of competing products. A poor year in one crop may have meant a good year in another. It was in this way that the failure of the apple crop in 1921 worked to the advantage of prune growers.³¹

(2) Balancing production to demand

The Oregon Growers Cooperative did not make any positive provisions for the control of production, but information was published concerning the known existing demand. The figures given for prune consumption were

³⁰ See the author's report on "Relations Between Northwest Prune Prices and Production, cited.

³¹ i.e. from information taken from the California Fruit News.

100,000,000 pounds domestic and an equal amount foreign.³² It was also predicted that the time was not far distant when the Northwest alone would produce a crop of 100,000,000 pounds.³³ The story of loganberry culture is too well known to require verification. There was a time when the outlook for possible consumption of loganberries was unlimited. But, nevertheless, the industry was overdone and had its collapse. These questions of adjusting supply to demand were ones which the Oregon Growers never solved. The organization accepted the supplies and attempted to dispose of them through the best channels possible. It can hardly be said that any attempt at education for purposes of curtailing production was effective when it is shown that the years of the organization were the years of the heaviest new plantings.³⁴ However the Association did perform a service in educating for better production methods and in this way improving the quality of goods for the market.

(3) Methods employed to maintain contact with customers.

As indicated above, brokerage and commission firms were the most important direct customers of the Association. These were obtained by the Sales Manager through

³² Oregon Grower, Vol. II, No. 5, Dec. 1920, p. 3. This was on a basis of conditions before the War.

³³ Oregon Grower, Vol. II, No. 8, Mar. 1921, p. 14.

³⁴ Critchfield Report cited, diagram on p. 39.

personal interviews. 80

Some advertising for consumer benefit was maintained for a time when large wall posters were provided for use on the New York Elevated and Subway System.³⁵ It was here that "Mistland" had its first big start.

(4) Cooperation between Board of Directors and Manager in merchandizing.

The superiority of the Manager in the matter of sales ability over that of members of the Board was due to training and natural aptitude. He was able to advise the Board intelligently in the formulation of policies and should have been supported, but on occasions which required quick action the Board questioned and quibbled at the wrong time, to the detriment of sales possibilities. One of these occasions was in 1920, just as the deflation was setting in, while the Sales Manager was in the East gathering up what orders he could. The Board held out for continued high prices and lost the sales at what would have been profitable figures if consummated. On June 9, 1922, the Board refused to accept the report of the Manager and referred it back to him for change. Although this last occasion was not one of sales altogether, it indicated a growing tendency to hamper the efforts of the Manager. There were many signs that all was not running smoothly long before the actual end arrived.

³⁵ Minutes Oct. 5, 1923.

f. Membership education.

This is another point upon which there was not sufficient data and information gathered to justify definite conclusions. The functioning of the Association magazine and the field service has been mentioned. The Minutes failed to disclose the extent of any service beyond these as to number of meetings and nature of programs, lectures, letters, and circulars. It does not appear that the Association was particularly active in this regard.

PART IV.ANALYSIS OF CAUSES FOR FAILURE

The foregoing treatment of the life history of the Oregon Growers Cooperative Association gives grounds for certain conclusions as to the causes for failure.

1. The condition of the times was a very influential single factor in breaking down any possible opportunity for success. This is not to say that some cooperatives organized at that time did not overcome the difficulties and manage to come through the situation successfully. But there were other contributing causes in the failure of the Oregon Growers. The best cooperative experts in the world could hardly have coped successfully, during the post war years, with the situation that existed in the Oregon Growers Cooperative. Financial experts might have warned against promotion at this particular time. No one could predict that prices would fall in September, 1920, that the bumper crop of prunes in 1920 would be ruined before it was gathered, or that the next year would produce an unusually light yield. These are all chances which must be risked if enterprises are to be undertaken at all. These circumstances, with certain other defects of organization, constituted an insurmountable barrier to success, and it may be pointed out that many other coop-

eratives as well as ordinary businesses failed at this time.¹

(2) As in the majority of failures in cooperatives, however, management was heavily responsible. As was indicated above, this does not refer to personal inefficiency but to the machinery of organization and the whole scheme of operation. It was pointed out in the Oregon Agricultural College Cooperative Marketing School that the Oregon Growers paid the price of divided responsibility. In the words of its Manager, it was a "mongrel organization". Quoting from a Government bulletin,² "Too often management is interpreted to mean only the functions of the general manager and his chief assistants". And it adds that management rightly includes activities of the board of directors. This large view of management is also emphasized by A. V. Swarthout, quoted previously, and by Robin Hood.³ "Too bulky management" was the expression used by a former member of the Association in explaining the inefficiency of the Oregon Growers. The vacillating policy of the organization was clearly shown in tracing its history.

¹ The Oregon Dairymans' League, The Oregon Cooperative Grain Growers, and the Oregon Cooperative Hay Growers possessed some likenesses in organization and situation, and also failed at this time. Proceedings of the O.A.C. Marketing School, cited, p. 3 of the Report of Paul V. Maris, Director, O.A.C. Extension Service.

² McKay and Kuhrt, - Marketing Problems of Cooperative Associations, cited, p. 24.

³ Hood, Robin, National Council of Farmers' Cooperative Marketing Association at O.A.C. Marketing School, 1926.

Although the Oregon Growers Cooperative was organized in 1919, it was not until April, 1922, that a budget system was established.⁴ Until this latter date an absolute hit or miss plan had prevailed. It was then too late to institute much of a system and the chances are that the budget as then developed was more of a name than a fact. Inadequate management was clearly one reason for failure.⁵ On the other hand, even if times had been more propitious success would have been difficult under the ponderous plan of the organization.

3. Chief among the details connected with failure was the fact that the organization was under-financed. Ten dollars per acre was inadequate capitalization for properties and working capital needed.⁶ It took the fruit money year after year to pay for equipment and, as a result, pools could not be closed.⁷ A larger program of building and activity than was originally intended was undertaken without added provision or alteration in the fundamental scheme of finance.

4. The plan of operation was too inclusive.

⁴ Minutes of the Association April 25, 1922.

⁵ The Association admitted that one of the causes of failure was the fact that the Manager was faced with financial troubles when time was needed for sales expansion. Oregon Grower, Vol. V., No. 3, Oct. 1923, p. 6.

⁶ Oregon Voter, l.c.

⁷ Statement of present Manager.

The attempt to unite too many unrelated interests was a blunder and the individuals did not exist with capacity to handle such a varied assortment of commodities⁸ and, again, operation on this basis was uneconomical.

5. Too much was expected. It was argued that because cooperation had succeeded in California it would necessarily succeed in Oregon. Cooperation by itself was thought to be a solution of the situation; it was believed that cooperation made prosperity. Many individuals did not realize what they were undertaking. Principles of marketing, economic laws and cooperation were not understood. It is the old story of belief in the extravagant charges made by promoters concerning evils in the existing marketing system with exaggerated claims of the middleman's profits, in the overenthusiastic prophecies of savings, and in the glowing pictures of accomplishments of organized business. It was not comprehended that organization could not overcome economic laws. The members did not realize that cooperation cannot be founded on conflicting interests. They were lacking in the background of cooperative experience.

6. Promotion was from without, not within. A ready-made "Sapiro Plan" was automatically clamped down

⁸ Oregon Voter, Vol. 35, Oct. 13, 1923, pp. 6 - 8. See also Earl Percy's Report.

upon the situation without regard for local conditions. The Association was formed with the mistaken idea that a sufficient volume of business could be built up to support the plan of organization. Although in its best year the Association did a business of \$2,600,000,⁹ this was not enough to make full use of the equipment. The more successful cooperatives have been a matter of growth and evolution. There certainly had been no background, up to this time, for the type of cooperation represented by the Oregon Growers.

7. The enterprise was too hastily organized. The Oregon Voter¹⁰ called it "a crude product of uncertain knowledge hastily thrown together with the assistance of outside attorneys who aided in its preliminary promotion and evangelization". This resulted in (1) signing up isolated lots of fruit of insufficient tonnage to maintain a local receiving or packing plant on an economical basis, (2) failure to sign up an adequate percentage to secure volume¹¹ and (3) embarking on the venture without more fully paid up and subscribed stock. It is almost impossible to collect on notes and to secure stock subscriptions in an undertaking that is progressing haltingly. As the organization was underfinanced from the beginning it possessed

⁹ Letter of Manager of Association previously quoted.
¹⁰ l.c.

¹¹ Oregon Grower, Vol. V, No. 3, Oct. 1923, p. 6.

small opportunity for making up the deficiency.

Further, the claim is often made that 75% control is necessary¹² for the success of a cooperative. At best it was never claimed that the Oregon Growers controlled more than 40% of the prunes.¹³ It was pointed out that the Medford district controlled 50% of the apples and 60% of the pears of that locality,¹⁴ but this was admittedly the best representation and, after all, was only one local situation.

Altogether, not sufficient care was taken to work out the details for so gigantic an undertaking. The business was started and managed in a haphazard fashion; there was no definite plan and no budget provided.

8. Unwise investments were responsible for saddling a load on the organization which it could not overcome. There were capital investments made which were never used. These investments were made at high prices, many of them were in disadvantageous locations, and still others were made which resulted in needless duplication within a locality where ample facilities already existed for handling the business conservatively. Minutes of the Corporation of August 12, 1926 show that less than one half the original price of a number of the properties, as listed in Table IV, was realized in resale. It is not possible to make

¹² Oregon Grower, Vol. II, No. 5, Dec. 1920, p. 3.
¹³ " " " " II, No. 6, Jan. 1921, p. 10.
¹⁴ Minutes of Association, Aug. 11, 1922

exact comparisons for fear of not including comparable situations, but the table below will indicate the relative values of the properties between the times when they were purchased and when sold.

TABLE VI¹⁵

	<u>Valuation as given in Table IV</u>	<u>Sale Price as per Minutes 1926</u>
	<u>Cost</u>	
Sutherlin	\$48,999.87	\$20,000.00
Dallas	56,137.96	25,000.00
Carleton	14,934.48	5,000.00
Sheridan	35,227.95	15,000.00
The Dalles	28,300.96	25,000.00

9. As a corollary to the financial problem the stage was set from the start for disloyalty. Pool money was necessarily and unavoidably taken to meet running expenses and capital charges. This was of vital importance as a factor in breaking down the organization. Jesness says,¹⁶ "No cooperative organization, large or small, can continue to function without the active support of the members". When the members began to wish to leave the

¹⁵ For accurate purposes these figures should be checked against an inventory of the properties when purchased and when sold.

¹⁶ Cooperative Marketing of Farm Products, cited, p. 197.

organization, it was then and there doomed.

The friction within the management has been explained. "Nothing stimulates dissension among the members of a cooperative quicker than some internal fight of the Board or of the management being made a public issue".¹⁷ The Medford case alone was a good example of this.

10. Poor business methods were a most natural accompaniment of an organization so hastily planned. Complaints of high overhead were but one phase. Again, consider the following example of laxness: in the case of an operating deficit, as shown by the Auditor's Report mentioned,¹⁸ it is stated, "We examined an appraisal of the plant properties which was made September 7, 1922. Based on this appraisal the book value of the buildings, machinery and equipment at March 31, 1923 are stated at approximately \$100,000 in excess of their depreciated value".

¹⁷ Hood, Robin, article quoted in Proceedings of O.A.C. Marketing School, 1926

¹⁸ Mar. 31, 1923

PART VCONCLUSION

The Oregon Growers Cooperative Association was a logical outgrowth of the conditions preceding it. Cooperation was growing in popularity and it was inevitable that the discontented fruit growers of Oregon should have been attracted by it. They were ready for any type of cooperative plan and fell before the professional promotion of Aaron Sapiro.

Where some organizations succeeded the Oregon Growers failed. Its life history tells the circumstances which led to failure. It violated all but one of the seven essentials for success as enumerated by Jesness¹, and all the principles of cooperation set down by Erdman. Take the Erdman principles of cooperation,² for example, which are:

1. An understanding of the nature of cooperation.
2. Requirement of a definite and feasible purpose.
3. Need for a homogeneous membership.
4. Foundation on a commodity basis.
5. Suitable organic set up.
6. Adequate volume of business.
7. Efficient management.

A general classification of causes for cooperative

¹ Cooperative Marketing of Farm Products, cited, chap. XIV, Essentials for Success, pp. 176-184.

² Erdman, H. E., Berkeley, Cal. "Some Economic Fundamentals of Cooperative American Cooperation, 1925, VI.

failure was given previously in Table II and the paragraphs immediately following. These causes do not all apply to the Oregon Growers, as, for instance, "property damaged by fire", "dishonest management", "capital stock falling in too few hands", and "speculation"; criticism on the basis of poor packing does not especially apply. There are, however, in addition some reasons peculiar to the Oregon Growers. Those individuals who are not satisfied unless they can attribute one single explanation for different phenomena have a difficult problem in attempting an analysis of the failure of this organization. There is no one cause, but many interdependent, interlocking causes. Presenting an inclusive explanation it may be said that the Oregon Growers Cooperative failed because it was

1. inopportune
2. badly managed
3. under financed
4. hastily organized
5. saddled with unwise investments
6. subject to disloyalty
7. afflicted with poor business methods

and, in addition,

8. too much was expected
9. too much was attempted
10. promotion was from without, not within.

However, it may be said that the Oregon Growers was not an entire failure, for, in the words of one of its members, it brought more money into the State than the individual loss of the Association and created a better market

situation for all growers in general than would otherwise have existed.

Again, the lessons of the past were used to advantage in the establishment of an outgrowth of the dead Association, the North Pacific Cooperative Prune Exchange. The good features of the Association were used as a basis for the organization of the prune growers of southwestern Washington and their association was launched by the Manager of the Oregon Growers.

Furthermore, the losses of the Association were borne by the members. Under the conditions of the times many of them would, no doubt, have had losses to contend with anyway. Outside individuals and investors with debts standing against the Association for supplies and services have been largely paid off and eventually such claims will, in all probability, be entirely liquidated.

The wonder is not that the Oregon Growers failed but that it lasted as long as it did.

Our general conclusion might be that the Oregon Growers Cooperative Association was a mistake, but an interesting one for students of the subject, and it can safely be stated that it did not live in vain.

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OREGON GROWERS COOPERATIVE ASSOCIATION

MARKETING AGREEMENT

This Agreement

between the OREGON GROWERS' CO-OPERATIVE ASSOCIATION, a non-profit, non-capital stock Oregon corporation, with its principal office at Salem, Oregon, hereinafter called the Association, first party, and the undersigned grower or growers in said State, hereinafter called the Grower, second party,

WITNESSETH:

In consideration of the mutual obligations herein and of the admission of the Grower to membership in the Association, and in pursuance of the Articles of Incorporation and By-laws thereof and of the express aims of the Association for co-operative marketing, for eliminating speculation and waste and for stabilizing the food markets and in accordance with similar obligations undertaken by other Growers:

First—The Association agrees to buy and the Grower agrees to sell and deliver to the Association all of the agricultural or horticultural products, of the varieties specified below, grown by or for him, or acquired by or for him at any place in Oregon, during the years 1920-1921-1922-1923-1924, that he intends to sell or market or consign or deliver directly or indirectly for sale or marketing or consignment to any person or corporation whatsoever.

Second—The Grower expressly warrants that he has not heretofore contracted to sell, market, consign or deliver any of his said products to any person, firm or corporation, except as noted at the end of this agreement. Any products covered by such existing contract shall be excluded from the terms hereof for the period and to the extent noted.

Third—The Association agrees to resell such products, in their original form, or dried or canned or preserved, or as by-products or otherwise, together with similar products or by-products, delivered by other growers under similar contracts, at the best prices obtainable under market conditions, all in the Association's discretion, and to pay over the net amounts received thereby as payment in full, to the Grower and Growers named in contracts generally similar to this contract, according to the resale value of the products delivered by each of the Growers, after deducting therefrom the costs of maintaining the Association and of transporting, handling, processing, manufacturing, selling, storing, marketing products or by-products and other proper activities, and also reserves for advertising and other general commercial purposes, said reserves not to exceed 2% of the gross resale price, all within the sole and conclusive discretion of the Association.

Fourth—The Association may contract in advance for the sale of the products of the Grower, or any part thereof; sell the same to canners, packers, commission houses, brokers or others at wholesale or retail, at auction or otherwise, before or after canning or processing, within or without this State; contract for the marketing of such products or their by-products through such commission houses or brokers or agents, as the Association may select, upon consignment or otherwise; to fix a fair and reasonable price or prices at which such products or by-products may be sold and below which none shall be sold, and to fix all such terms and conditions as the Association may deem advisable.

Fifth—The Association may establish selling agencies or auction places in any city and all products consigned or delivered to the markets of that city are subject to the terms and conditions herein provided and to such other equitable conditions as the Association may establish for each local selling agency or auction.

Sixth—(a) The Grower agrees that all products delivered hereunder shall be free from damage of any kind and in good marketable and merchantable condition and shall be delivered to the Association as, when and where directed.

(b) The Association may make rules and regulations and provide inspectors to standardize the quality, method and manner of harvesting, handling, packing and shipping of such products for direct sale or for any particular purpose; and the Grower agrees to observe and perform any such rules and regulations prescribed by the Association.

(c) All products delivered to or at the order of the Association hereunder shall be of the standard and conform to the regulations as to quality and otherwise that may be prescribed by the State and Federal authorities and by the Association.

(d) Any deduction or allowance or loss that the Association may make or suffer on account of inferior quality or standard, or condition at delivery, shall be charged against the Grower and be deducted from his net returns hereunder.

Seventh—The Grower agrees to ship and return all boxes, delivered to him for his use and convenience, as and when directed by the Association, and in the event of his failure so to do, to pay to the Association therefor the value of each box not shipped or returned as and when ordered, as conclusively determined by the Association; and the Grower herewith authorizes the Association to deduct any such charge from his net returns hereunder.

Eighth—The Grower shall have the right to plant any crop at any time in his free discretion; but if the Grower produces any agricultural or horticultural products which come within the scope of the Association's activities as established by contracts or by notice, or acquires or owns an interest in any thereof, during the term hereof, they shall all be included under the terms of this agreement and must be sold only to the Association.

Ninth—The Association is expressly empowered to contract with a cannery or canneries whereby all products which, in its judgment, should be offered for packing, manufacturing into by-products, canning or preserving, shall be sold or used for such purposes under fair and reasonable conditions; or to contract with a broker or commission house for the sale of products; or itself to can or process or pack or otherwise dispose of such products.

Tenth—The Grower agrees to ship directly to any packing house, drier, cannery, factory, auction or commission house or broker or other person, such percentage of his daily shipments as the Association may direct, packed as the Association may instruct.

Eleventh—The Association may, for any purposes herein, pool or mingle products of the Grower with products of a like grade and variety from similar districts, all as determined by the Association, delivered by other growers named in contracts generally similar to this contract; and the Grower agrees that his products may be so mingled, and that the returns therefrom, less all costs, advances and charges, as set forth in paragraph III hereof, shall be credited and paid to him on a proportional basis out of the receipts from the sale, marketing, canning or other disposal of all such products of like variety and grade, all as and when determined by the Association.

Twelfth—The Grower further agrees that the Association shall have the power, without limitation, to borrow money in its name and on its own account for any purpose on the products delivered to it or on the products therefrom or on any accounts for the sale thereof or on any drafts, bills of exchange, notes, or acceptances, orders or any commercial paper delivered therefor; and to exercise all rights of ownership without limitation and to pledge in its name and on its own account such products or accounts or drafts, bills of lading, notes, acceptances, orders or other commercial paper, as collateral therefor. The Association shall have the right to pro-rate the money so received to the growers upon whose variety of products said moneys were borrowed (if distinguishable), and to pay to each grower his proportionate amount thereof or in its absolute discretion to lend the same in any equitable and safe manner to growers needing such assistance or to use the same for any proper Association purpose or activity.

Thirteenth—The Grower expressly agrees that the Association may handle, in its discretion, some of the said products in one way and some in another; but the net proceeds of all products of like variety and grade from similar districts, less all charges, shall be divided ratably among the growers in proportion to their deliveries or shipments of such varieties and grades. Such division or distribution shall be made from time to time, in such amounts as the Association may deem advisable, until all the accounts of the season are completely settled.

Fourteenth—The Grower hereby expressly authorizes the Association to deliver to the Oregon Growers Packing Corporation, organized for practical co-operation with the Association, any or all of his products under a long term contract or at a price to be fixed for the season, or at the resale price thereof, less all proportionate costs of delivery, canning, advertising, storing, selling, taxes, brokerage, insurance, administration, legal expenses, organization, interest on investment, depreciation, retirement of 20 per cent of the preferred stock annually, creation of a cash reserve for general commercial purposes, and of a reserve to retire preferred stock and of an experiment and betterment fund, and payment of a 7 per cent dividend on all outstanding preferred stock, and of a reasonable dividend, not to exceed 10% per annum on the common stock thereof, and less such other costs, charges or advances and on such other or different terms and conditions as the Association, in its conclusive judgment, may deem advantageous and profitable to its grower-members; and the Grower hereby authorizes the Association to enter into any contract for such consideration and on such terms and conditions as it may deem advisable and profitable for the canning, preserving, packing, manufacturing, storing, warehousing of the products covered hereby, or any portion thereof, and for the use of the security thereof as collateral within the general purposes of this agreement by this Association or by such corporation in its name, under such protective provisions as this Association may deem proper.

Fifteenth—This agreement shall be binding upon the Grower, his representatives, successors and assigns, during the period above mentioned, as long as he raises agricultural or horticultural products, directly or indirectly, or has the legal right to exercise ownership or control of any thereof or any interest therein or of any land on which such products are grown during the term of this contract.

Sixteenth—This agreement is one of a series generally similar in terms, comprising, with all such agreements, signed by individual Growers, one single contract between the Association and the said Growers, mutually and individually obligated under all of the terms thereof. The Association shall be deemed to be acting, in its own name, for all of such Growers in any action or legal proceeding on or arising out of this contract.

Seventeenth—If the Association brings any action to enforce any provisions hereof or to secure specific performance hereof or to collect damages of any kind for any breach hereof the Grower agrees to pay to the Association all costs of court, costs for bonds and otherwise, expenses of travel and all expenses arising out of or caused by the litigation and any reasonable attorney's fee expended or incurred by it in any such proceedings and all such costs and expenses shall be included in the judgment and shall be entitled to the benefit of any lien securing any payment hereunder.

Eighteenth—Inasmuch as the remedy at law would be inadequate and inasmuch as it is now and ever will be impracticable and extremely difficult to determine the actual damage resulting to the Association should the Grower fail so to consign and deliver all of his products, the Grower hereby agrees to pay to the Association for all products sold, consigned or marketed by or for him other than in accordance with the terms hereof, as liquidated damages for the breach of this contract, the amount set forth on the schedule below, all parties agreeing that this contract is one of a series dependent for its true value upon the adherence of each and all of the contracting parties to each and all of the said contracts.

Nineteenth—The Grower agrees that in the event of a breach by him of any material provision hereof, particularly as to delivery or marketing of any products other than to or through the Association, the Association shall, upon proper action instituted by it, be entitled to an injunction to prevent further breach hereof and a decree for specific performance hereof, according to the terms of this agreement; and the Association and the Grower expressly agree that this agreement is not a contract for personal services or demanding exceptional capacity or talents; and that this is a contract for the purchase and sale of personal property under special circumstances and conditions and that the buyer cannot go into the open markets and buy products to replace any which the Grower may fail to deliver; and that this contract will be the proper subject for the remedy of specific performance in the event of a breach thereof.

Twentieth—On or before April 1st of the year 1920, and each year thereafter, the Grower will mail to the Association a statement of his expected acreage of all horticultural and agricultural products of the varieties specified below for that year on the form provided for that purpose by the Association, and only such varieties of products as specified shall be covered by this agreement.

Twenty-first—The parties agree 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 and that this agreement represents the voluntary and clear understanding of both parties fully and completely.

READ, CONSIDERED AND SIGNED by the Grower this.....day of....., 19....., at

....., Oregon.

.....
Grower.

DO NOT SIGN WITHOUT READING.

.....
Address.

By authority of a resolution of the Board of Directors of the Association, adopted on.....1919,
this agreement is approved, accepted and executed.

Salem, Oregon,.....1919.

OREGON GROWERS' CO-OPERATIVE ASSOCIATION.

By
Secretary.

Grower's present acreage in Oregon of products subject to this contract:

.....	acres of	located at
.....	" "	" "
.....	" "	" "
.....	" "	" "
.....	" "	" "
.....	" "	" "

SCHEDULE OF LIQUIDATED DAMAGES

\$15.00 per green ton of Canning Fruits.	
\$ 5.00 per green ton of Drying or Canning Vegetables.	2 cents per pound of all Cherries.
\$15.00 per green ton of Drying Fruits.	2 cents per green pound of Berries.
\$10.00 per ton of shipping or fresh Vegetables.	50 cents or proportionately per crate of Shipping Berries.
50 cents or proportionately per box of Shipping Fruits.	5 cents per pound of Nuts.

EXISTING CONTRACTS OF GROWER

- Sold to.....{ part of.....of season of.....
all
- Sold to.....{ part of.....of season of.....
all