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Cooperative Marketing

A Report Adopted October 27, 1922, by the Extension Service of
the Oregon Agricultural College

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INTRODUCTION

This bulletin contains the report of the committee on marketing unanimously adopted at the annual conference of the Extension Service of the Oregon Agricultural College, held at Corvallis in October, 1922, and participated in by representatives of the United States Department of Agriculture, resident college staff, county agents, and administrative officers of the College, Extension Service, and Experiment Station. It is printed in bulletin form with the hope that it will be of some value as a contribution to the literature pertaining to the cooperative movement in the state, result in a better understanding of the problem, and encourage fuller use of the facilities of the College in coping with it.

The cooperative impulse is not new. It has manifested itself for generations in the life of this and other countries. During the past ten years the College, through the Extension Service, has responded constantly to demands for assistance in connection with forming cooperative creameries, cheese factories, grain elevators, livestock shipping associations, public markets, local exchanges, etc., and many such associations are now in operation in the state.

Growing out of the general depression following the war, which has affected agriculture with particular severity, there has developed a new nation-wide interest in the question of cooperative marketing of agricultural products, as indicated by the declarations of large conventions, by the enactment of state and national laws, and by various other expressions of public policy.

This report deals particularly with the newer type of commodity cooperative associations, and attempts to analyze the need for educational work essential to their greatest success. The College considers the improvement of our marketing facilities to be of paramount importance. The state is rapidly accumulating a rich store of experience that should serve to guide us in the future. Our present interest should be translated into a willingness to go deeply into a study of the question in all its phases, considering not alone the plan and its possible advantages, but its inherent problems and difficulties as well. We should not be averse to examining the pages of history and profiting by the lessons found there. Intelligent study is the price of success.

In the pursuit of such a study as is here suggested, and in every possible way, the Extension Service offers its cooperation to the various communities of the state. Local Granges, Farmers' Unions, Farm Bureaus, and commercial bodies, might well devote a season to a systematic study of the cooperative marketing question. A brief outline for marketing studies is contained in this report. To the limit of our ability we will cooperate with organizations that may be interested by sending speakers or providing fuller outlines for courses of study to be carried on independently. Requests for this and other assistance should be filed with county agents in counties having agents; persons located in other counties should communicate directly with the Extension Service.

PAUL V. MARIS,
Director of Extension Service

Report of Committee on Marketing

ANALYSIS OF SITUATION

MARKETING OF PARAMOUNT IMPORTANCE

The American farmer has thought largely in terms of production rather than in terms of marketing. Marketing, however, has now developed to be of paramount importance and there exists a widespread demand for greater efficiency and lower costs in getting goods from the producer to the consumer. This has led to a widespread interest in the cooperative form of business organization as a means of solving the problem. This interest has been especially keen in this state.

It is just as essential to the financial success of the farmer to maintain an orderly, even distribution of his commodities as to increase his production. The community which greatly increases production but does not function properly in marketing, may bring to itself an injury rather than a benefit.

TWO TYPES OF COOPERATIVE MARKETING ASSOCIATION NOW ORGANIZED

Local Cooperative Organizations. This type involves those which operate over a restricted district as local buying or selling agencies. They have long been well known and no specially new features characterize their operation today. They usually involve small expenditures, small responsibility, and assume small risks. They are frequently short lived, and comparatively few of them are permanently and outstandingly successful. Some, however, have attained conspicuous success.

They do not usually control a sufficiently large volume of business to permit orderly marketing, efficient distribution, development of new markets, and other services which the larger commodity associations make possible. It may be that federations of these local associations, handling a certain commodity, can be effected, and in this way organizations of more far-reaching importance built up.

Commodity Organizations. This type of association handles one commodity or several similar commodities.

1. *Local Commodity Associations.* The following may be cited as examples of associations which cover a restricted territory, but which are among the oldest and most successful to be found in the Northwest:

- a. Hood River Apple Growers' Association
- b. Tillamook County Creamery Association
- c. Eugene Fruit Growers' Association

2. *Statewide Commodity Associations.* There are now in existence in the state the following statewide commodity associations:

- a. Oregon Growers' Cooperative Association
- b. Pacific Cooperative Poultry Producers
- c. Pacific Cooperative Wool Growers' Association
- d. Oregon Cooperative Grain Growers
- e. Oregon Cooperative Hay Growers
- f. Oregon Mint Growers' Cooperative Association.

These six associations have approximately 8,000 members. They have been developed at a total organization cost of approximately \$100,000, which includes filing, legal and recording fees, membership commissions and traveling expenses. They have an investment in physical property aggregating approximately \$500,000. They have built up sales organizations capable of handling a large volume of business. They have developed new markets and established grades and registered brands and trademarks. They have advertised widely, established credit relations and have built up a desirable reputation among commodity buyers. In 1921 these associations sold for their members farm products to the value of \$7,244,299.

These associations are organized under the terms of a binding contract between the growers and the respective association, whereby the growers guarantee to deliver their product to the association. These contracts are modeled after, and are practically identical with, those used in California, where cooperative marketing has attained great success. The principle of the contract is not one of coercion, but is one apparently fundamental to the commodity type of organization where a large expense has been created and where a guaranteed volume of the commodity must be delivered to absorb overhead expenses, and on the basis of which an efficient sales organization may be built.

The contracts for the associations handling eggs, hay, and wool, expire in 1923. The contract of the Oregon Growers Association expires in 1924, that of the Mint Growers in 1925, and that of the Wheat Growers in 1926.

DIFFICULTIES EXPERIENCED

Like all new enterprises of this nature, the commodity associations experienced many difficulties in their early development. First, it was practically impossible to obtain directors and managers who had had experience in this type of marketing. Second, members were inexperienced in this method of selling their commodities, and most of them were not familiar with the operation, management, purposes, and functions of their respective associations. This lack of information on the part of members, along with a lack of immediate financial benefits and with discouragement and insidious propaganda offered from the outside, has resulted in discontent, and in contract violations. Third, the public was not familiar with the advantages which may accrue to farmers, to distributors, to consumers, and to the public at large, by a more efficient distribution of agricultural products.

FAILURE MUST BE PREVENTED

A better system of marketing is essential to the development of prosperity throughout the state. California has prospered immensely through cooperative marketing. We have confidence that Oregon can do the same. Cooperative associations have been developed. They are now in action. In behalf of the public interest their failure must be averted.

The failure of these cooperative associations that have been built up at great cost would be disastrous to the cooperative movement in this state. Oregon cannot afford to lose the large sum expended in their organization. Oregon cannot afford to sustain the great loss incident to

the liquidation of their physical assets purchased at high prices. Oregon cannot afford to lose the advantage gained from large sums of money spent in advertising nor the reputation these associations have established among buyers.

To tear down the cooperative machine which has been constructed; to wreck the efficient sales organization that has been built up; to disorganize that which has been so carefully established; to destroy the credit relations and the public confidence acquired; to abandon valuable registered trademarks; to desert the new markets which have developed; and to witness the death of the cooperative spirit now attained, would deliver a blow to cooperative principles and practices in this state from which Oregon would not recover in our generation.

WHAT HAS BEEN DONE IN RELATION TO COOPERATIVE MOVEMENT

The Extension Service of the Oregon Agricultural College, cooperating with other agencies, has already done considerable work in promoting the cooperative marketing movement. This work may be summarized as follows:

1. It has assisted in working out plans of organization.
 - a. The foundation for the poultry producers association was laid by the cooperative efforts of the Extension Service and the United States Department of Agriculture.
 - b. The foundation for the Pacific Cooperative Wool and Mohair Association was laid by the Extension Service.
 - c. Representatives of the Extension Service are on the Board of Directors of several cooperative associations as representatives of the public.
 - d. The Extension Service has assisted in the drafting of plans, constitutions and by-laws, contracts, etc., for four of the existing organizations.
2. A representative of the Extension Service made a study of the cooperative marketing movement in California and submitted reports before the principal farm organizations.
3. A marketing conference was conducted as a feature of Farmers' Week in 1921.
4. It proposed and assisted in organizing the Oregon Cooperative Council.
5. It issued public statements urging the support of commodity cooperative associations.
6. County agents have been active in their support of better marketing methods.
7. The marketing extension specialist has made a study and submitted reports covering the organization, management and operation of existing commodity associations.
8. The Extension Service in conjunction with the big farmers' organizations of the state was instrumental in drafting the present cooperative law, and has assisted in preparing every amendment since its adoption.

RELATION OF EXTENSION SERVICE TO THE COOPERATIVE MARKETING MOVEMENT

The successful solution of the marketing problem is fundamental to the welfare of the state.

We recognize the marketing problems in Oregon to be the development of an orderly, efficient distribution of agricultural products, which involves a method of assembling, grading, packing, storing, financing, processing, transporting, and selling. The problem involves the organization and efficient management of marketing associations through which these processes may be conducted.

The successful organization and continued operation of cooperative associations is governed by the following principles.

1. The desire for, need, and feasibility of the proposed organization as determined by preliminary surveys.
2. A sound plan of organization based on careful investigations.
3. Clear understanding among prospective and enrolled members, covering the fundamental principles, purposes, advantages, and disadvantages of cooperative marketing.
4. Good-will and support of the public through a clear understanding of the marketing plan and its effect on general prosperity.
5. The development of additional markets to absorb increased production.
6. Well established cooperative relations with all agencies interested in the orderly distribution of farm products.
7. The combating of false and malicious propaganda.

We recognize that cooperative marketing in Oregon at this time presents a broad educational problem among farmers, business interests, and consumers; that the Extension Service of the Oregon Agricultural College is the institution created by the government to conduct agricultural education in the whole field of agricultural economics, as well as in the field of production; and that its services must remain available to farmers as individuals, or as organized groups, and to all citizens of the state. As members of the Extension Service, we recognize our obligation to render all the assistance possible to develop more efficient marketing such as is consistent with our position as a public agency.

We accept as a fact that it is our duty to assist in solving the marketing problem of the state, and therefore pledge our continued moral and active support to the cause of better marketing and to the principle of cooperation among the farmers for that purpose.

METHOD OF PROCEDURE

Develop Market Investigational Work. 1. We recommend that the Extension Service continue its intensive study of cooperative marketing.

2. We recommend that investigation should be carried on by the Oregon Agricultural College Experiment Station, and a careful study be made of the cooperative marketing situation in Oregon and in other states with the view of making improvements on our form of cooperative organizations.

Program Among Growers. 1. We recommend that existing organizations be used in carrying out this program. We urge the importance of aiding farm organizations to give more direct study to the cooperative movement, and to feature this subject insofar as practicable as a regular course throughout the year. In the absence of small local farmers' organizations it is suggested that other agencies be used to develop the marketing work. There is no reason why a local school board, a country church, a rural lodge, a club of farm women, or a parent-teacher association may not be used in developing interest in marketing work.

2. We suggest community or county conferences on marketing. In some cases it may be wise to organize groups for one- or two-day studies of the marketing situation. In such groups or meetings the following suggestive points could be studied.

- a. History of cooperative marketing.
- b. Development of cooperative marketing in Oregon, with details of its operation, management, and achievement.
- c. Underlying principles of cooperative marketing, including need, organization, and finance.
- d. Function of cooperative marketing and elements essential to its success.
- e. Its relation to the public.
- f. How results may be measured.

3. Preparation of well written articles for the press.

4. Conferences and cooperation with farm leaders.

5. Assist management of cooperatives in assembling growers, members, and others to consider the marketing problems.

Program Among Business Interests and Consumers. 1. Informal, personal conferences with local bankers and other business people by the agent and by the specialist as opportunity arises.

2. Carefully prepared addresses to be delivered before chambers of commerce and other civic bodies.

3. Marketing exhibits for fairs. We recommend that the Extension Service prepare an educational marketing exhibit, which may be available, upon request, for exhibition at county fairs and the Oregon State Fair. The points to be covered by such an exhibit should include:

- a. Marketing work carried on by the Extension Service.
- b. Advantages of cooperative marketing.
- c. Growth and development of cooperative marketing.
- d. Exhibit—a composite exhibit for each cooperative association, to include:

- (1) Brand and labels.
- (2) Volume of business handled.
- (3) New markets developed.
- (4) Foreign markets reached.
- (5) Outstanding achievements.

Information of Staff. Realizing the difficulty encountered by the agent in keeping abreast of development in the market world, we recommend that the specialist be charged with the duty of keeping the field staff in the closest touch with the situation, by the use of regular letters or bulletins setting forth the facts. For effective work the staff must know the truth, and in some detail. The publication of the United States Department of Agriculture known as "The Agricultural Situation" is cited as an attempt to keep a force informed on a highly technical and ever-changing condition.

Your committee believes that marketing extension methods may not safely be standardized for the state. Unlike some other projects, it is not possible for the specialist to develop a complete program of action in advance. He must have the assistance and most hearty cooperation of the county agent in developing plans and carrying them out. In this connection, the need is felt for leaving ample time for the specialist to make personal contacts with the growers in the counties.

Cooperate With Other Agencies. We recommend that the closest possible cooperation shall be given the existing cooperative associations, the Cooperative Council, the Farm Bureau, Grange, the Farmers' Union, chambers of commerce, and all other agencies which are striving to put the business of marketing of farm products on a higher plane of efficiency.

Respectfully submitted,

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