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## TEN LESSONS IN MARKETING—Lesson X

# Cooperative Marketing, Its Difficulties and Advantages

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There is no lawful business which cannot be conducted on the cooperative plan. In fact, a study of cooperation in this country and in Europe shows that all the functions performed by the various marketing agencies discussed in Lesson VIII are at times successfully performed by cooperative associations. Nevertheless, cooperative associations are confronted with many difficulties.

1. **Difficulties in cooperative marketing.** Factors which stand in the way of the rapid spread of cooperative marketing include poor management, ignorance, opposition, lack of capital, and the fact that failures occur.

(a) *Poor management.* One of the greatest obstacles in the way of successful cooperation in this country is that of obtaining efficient managers. In Europe the movement is older and there are always good men and women working up in the business, who have had both the training and experience necessary to assume responsible positions. Almost everywhere in Europe, special courses of instruction are given to employees of cooperative associations and to others interested in the movement. Very little has been done to give this sort of training in America. Consequently, our cooperative associations are frequently managed by men who have had little or no business experience, or by business men engaged as managers who have had no training in cooperation and are sometimes not in sympathy with it. As time goes on, more stress will be laid on education in cooperation, and more men and women of ability will be trained in the operation and management of cooperative associations.

(b) *Ignorance of cooperative principles.* Cooperation is democracy in business. It arises because people want to manage their own business in a way which will give them greater advantages than

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any other form of organization. But frequently members of cooperatives do not understand their own associations. They forget that the association is their own, that they are part of it, and that when they do business with it, they are dealing with themselves. More educational work and careful study will gradually overcome this difficulty.

(c) *Opposition from those outside the association.* The private and corporate forms of organization have had such a free field in America in their control of all forms of business that they usually put up a very bitter fight against cooperative organizations wherever they appear. This opposition takes many different forms. Frequently, business is done for a time on a low profit or even at a loss, in order to win away the members of the association. Then all kinds of false reports are spread concerning the association. Its directors are charged with inefficiency, and its manager with extravagance or dishonesty. In fact, all sorts of tricks have been resorted to in order to bring about the failure of cooperatives. The aim is to spread suspicion and distrust among the members until the association is broken up.

California led the way in attempting to meet these conditions by having each member of a cooperative marketing association sign an iron-clad contract binding him to deliver all his products to the association for a term of years. These binding contracts are now used by most of the larger cooperative associations throughout the United States, and in many states these contracts are now especially protected by law. Oregon was among the first of the states to give legal recognition and protection to the binding contract.

(d) *The difficulty in raising capital.* Cooperative associations are largely formed by people who are in moderate circumstances and the difficulty of raising capital sufficient to carry on any kind of business has been great. Improved laws, however, both state and federal, are adding to the safety of cooperative associations, thus making it easier for them to obtain credit. Binding contracts also have given cooperative business greater assurance of permanence. This in itself has been a valuable asset in raising funds. Generally speaking, bankers, as they come to understand cooperation, are becoming more friendly, and are willing to advance associations all the capital they can consistent with safety. With the better understanding of cooperation and the greater loyalty of the members, the problem of financing cooperative associations will solve itself.

(e) *The proportion that fail.* Many authorities claim that the proportion of cooperative enterprises which fail is not greater than that among other forms of business organizations. Nevertheless, the fact remains that many cooperative associations do fail. This does not mean that there is any prospect of failure for the movement as a whole. In fact, it is coming to be more and more com-

mon that even where cooperative associations have failed, other cooperatives arise immediately to take their places. The new organizations profit by the experience of those that have failed and usually are more successful.

**2. The advantages of cooperation.** Cooperation, as a form of organization for business, has had a steady growth since it first made its appearance among the small farmers and wage earning classes of Europe more than a century ago. Its progress has been due to its advantages, especially for people of small means.

(a) *Special recognition and protection.* As cooperative laws now stand in this and many other states, cooperative enterprises have all the advantages of other forms of business organization and several which are not available to corporations, partnerships, and individuals in business. In Oregon, for example, the relation established under the binding contract is given special protection as being conducive to public welfare. This gives greater security to cooperative business than any other type. In the interest of the public welfare also, Oregon State Agricultural College, the Portland Chamber of Commerce, the state market agent's office, and various bankers' associations are giving especial encouragement and support to cooperative associations.

(b) *Greater savings possible.* The great incentive to cooperation is the hope of saving the profits which ordinarily go to those who own the business. Moreover, cooperatives have some advantages over private enterprises. They have an assured volume of business, and should be able to save much of the expense incurred by other forms of organization in working up trade. Then too, the essence of the cooperative association is that it does its business at actual cost and any savings resulting are returned to the members who buy or sell through the association. In the more successful cooperative associations the savings have been considerable, thus enabling the farmers to get higher prices for their products. This means that the farmers have more money to spend and the result is better times for bankers and most other business men in the cities. To this it might be added that investments made in cooperative enterprises often serve to stimulate saving and thrift.

(c) *Business, the servant of industry.* It is true that all business is being built up more and more on the basis of efficient service. But there are certain advantages in the cooperative form of organization which other forms cannot be expected to possess. To illustrate this, we might refer again to the Eugene Fruit Growers' Association. The sole purpose of this organization is to serve the growers tributary to Eugene. Consequently, it frequently enables its grower members to market commodities which other forms of business enterprise could not afford to handle. No valuable products are permitted to rot on the ground. The prices obtained may sometimes be low, but the grower brings in his products to the

association, feeling assured that he will get out of them all that the market will bring. The consequence is that there are few farming sections in the state more prosperous than the territory served by the Eugene Fruit Growers' Association.

In contrast, we could mention incorporated canneries which have allowed large quantities of products to rot on the ground until the farmers have become discouraged from producing, simply because the profits in sight were not great enough to warrant a corporation in handling them. In other cases too, we have known business concerns to allow the products in their immediate vicinities to go to waste while they went outside to other districts and shipped in low-priced products. A cooperative association would never do this. Its chief interest is to serve its members and build up its own community.

(d) *A long-time program rather than immediate profits.* Sometimes it happens that the building up of an industry like the fruit and vegetable growing which has developed around Eugene requires a great deal of outlay for equipment and educational work upon which no immediate returns can be expected. Corporate and private enterprises are slow to make such investments. Some of the California cooperative associations have spent large amounts for education and advertisement, all of which have brought big returns for the industries in the long run, but which would never have been undertaken by private enterprises.

This all comes back to the fundamental principle of cooperative marketing: the business is run for the sole purpose of helping to make production profitable and the producer prosperous. It seeks to build up a reputation for the products of the district it serves which can be maintained and improved year after year.

(e) *Cooperation a great educator.* Generally speaking the lack of business training is a great handicap to the average small farmer. By joining a cooperative marketing association and taking an active interest in it, the farmer is forced to study the complicated processes of modern business about which we have been learning in these lessons. Such study is bound to broaden the mind, and will do much to break down the suspicion which some farmers have toward all business and business men.

### QUESTIONS AND EXERCISES

1. If you know of any cooperative associations which have failed, find out what you can of the causes of their failure.
2. What cooperatives have helped to make a national reputation for Oregon farm products?
3. What California products have been made famous by cooperation?

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